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GOVERNMENT AND ADMINISTRATION

Ministerial Changes

Ministerial changes within the Scottish Office have been announced by the Prime Minister's Office. Lord Kirkhill has been appointed Minister of State in succession to Lord Hughes who resigned with effect from 8 August.

Mr Robert Hughes, a Parliamentary Under-Secretary of State at the Scottish Office, resigned from the Government on 21 July. No successor has so far been appointed.

A full list of Government ministers is set out on pp 257-61.

Parliamentary Developments

Recent announcements about parliamentary matters have dealt with the raising of members' salaries and allowances, a review of procedure, and the abandonment of a plan to build a new parliamentary extension.

MEMBERS' PAY AND ALLOWANCES

The annual salary of members of the House of Commons has been raised from £4,500 to £5,750. The increase amounts to 28 per cent since January 1972 when members' pay was last increased – well under half the rise in the cost of living; during the same period average earnings have risen by 85 per cent.

The parliamentary salary of non-Cabinet ministers who are members of the House (which they receive in addition to their ministerial salaries) has been increased from £3,000 a year to £3,700 a year. The ministerial and parliamentary salaries of Cabinet ministers and the ministerial salaries of ministers outside the Cabinet will not be changed before 1976. The rates of the various allowances for Members of Parliament have also been increased. All the changes were approved by the House of Commons on 22 July (*Hansard*, cols 441-516).

Review Body's Report

The changes in parliamentary pay and allowances follow the publication of the first part of a report by the Review Body on Top Salaries which recommended among other things that the salary of members of the House of Commons should be £8,000 a year.[1] The second part of the report, to be published later this year, will deal with members' pensions, ministerial salaries, the rates and conditions of payment of peers' expense allowances and some miscellaneous questions affecting other allowances.

In a statement to the House of Commons on 16 July (*Hansard*, cols 1503-15) the Lord President of the Council and Leader of the House, Mr Edward Short, said that the Government accepted that the Review Body's recommendations were justified, but felt that a 78 per cent increase in members' annual salaries from £4,500 to £8,000 could not be supported against the background of the measures the Government had proposed in the attack on inflation (see pp 269-72 and 318). The Government therefore recommended that the salary should be increased to £5,750 payable from 13 June, the date when the Review Body's report was submitted. On the question of pensions, however, the Government did not believe that members' pension rights should be prejudiced, and arrangements would be made to allow pensions to be based on the salary figure of £8,000 recommended by the Review Body.

Parliamentary Allowances

The Review Body's proposals for improvements in parliamentary allowances have been accepted in full. The secretarial allowance has been increased from £1,750 to £3,200 a year; the additional costs allowance (a subsistence allowance for provincial members) from £1,050 to £1,639 this financial year and to £1,814 in a full year on the basis of the current subsistence rate for the Civil Service; and the London supplement (for members living in the capital) from £228 to £340 a year. The secretarial allowance will be available to provide any combination of secretarial and research assistance. It will enable members who wish to do so to employ a full-time secretary (this measure, according to Mr Short, meets the substance of a major recommendation of a recent select committee report on assistance to private members[2]; the report's other recommendations are to be considered at the same time as the second part of the Review Body's report). The car mileage allowance for members and the number of free travel vouchers to Westminster for the wife or husband of a member have also been

[1] *Review Body on Top Salaries. Report No. 7: Ministers of the Crown and Members of Parliament and the Peers' Expenses Allowance—Part 1.* Cmnd 6136. HMSO, 32p. ISBN 0 10 161360 1.

[2] *First Report from the Select Committee on Assistance to Private Members (Session 1974-75): the Provision of Secretaries for Members.* HMSO. 20p. ISBN 0 10 023755 X.

increased. The additional costs allowance, the London supplement and the car mileage allowance are in future to be adjusted automatically with corresponding increases in the appropriate Civil Service rates.

The limit of the daily attendance allowance for members of the House of Lords has been raised from £11·50 to £13·50. The allowance covers the reimbursement of expenditure incurred in attendance at the House.

Linking of Pay

The House of Commons has voted that it is desirable in principle that the level of members' salaries should be linked with that of assistant secretaries in the Civil Service, not later than three months after the next general election and annually after that date (*Hansard*, 22.7.75, cols 441-516).

PARLIAMENTARY PROCEDURE

A major review of parliamentary procedure is being planned for the autumn. Announcing this in the House of Commons on 7 July (*Hansard*, cols 23-4), the Leader of the House said that the form the review would take had not yet been decided.

PARLIAMENTARY ACCOMMODATION

The Leader of the House of Commons has announced to the House that, in view of economic difficulties and the Government's commitment to combat inflation, the scheme to build a major new parliamentary extension (see p 263, 1973) has been abandoned (*Hansard*, 16.7.75, cols 1516-22). Estimated costs had increased to at least £30 million, excluding site costs already incurred. Alternative ways of extending parliamentary accommodation are to be considered.

Northern Ireland

SECURITY SITUATION

Various aspects of the current security situation in Northern Ireland were the subject of comment by the Secretary of State for Northern Ireland, Mr Merlyn Rees, during a statement he made to the House of Commons on 21 July (*Hansard*, cols 37-43) about an explosion at Forkhill, South Armagh, on 17 July, which caused the death of four soldiers and serious injury to a fifth.

In regard to the incident itself, Mr Rees told the House that a man had been arrested and charged with murder. On the question of the general level of violence he said that although the ceasefire had not been complete and, in the present instance, he had had to ask himself whether the leaders of the Provisional IRA were able to control their followers... there had, nevertheless, been a substantial overall reduction in the violence attributable to the Provisionals 'since the turn of the year'. The Government, 'conscious of the desire... of the people of Northern Ireland from all parts of the community for peace and a return to normality', had, 'without lowering its guard', responded to this reduction by a very substantial diminution of the activity of the Army.

Detention and Release

On the policy of detention, the Secretary of State repeated his view that in normal circumstances violence ought to be dealt with by the police and by bringing criminals before the courts. In the past six months there had been a great breakthrough in this respect he said; since the beginning of 1975 the police had charged 640 people with security type offences, including 66 with murder and 59 with attempted murder. He would like to see the end of detention, but this must depend on the cessation of violence and on the continuing success of the police in bringing criminals before the courts. As far as releases were concerned, he had to make a judgment on each individual case, balancing the right of the community to be protected against the right of the individual to his freedom.

Later, in answer to questions (*Hansard*, 24.7.75, cols 754 and 760), Mr Rees said that it was never the intention of the law to 'have life imprisonment by detention'. He could not commit himself to any specific date, but he hoped that the situation would have progressed sufficiently to enable all the detainees to be out by Christmas.

EXTERNAL AFFAIRS AND DEFENCE

Conference on Security and Co-operation in Europe

The Prime Minister, Mr Harold Wilson, and the Secretary of State for Foreign and Commonwealth Affairs, Mr James Callaghan, represented the United Kingdom at the third stage of the Conference on Security and Co-operation in Europe (CSCE), which was held in Helsinki between 30 July and 1 August. Thirty-five heads of State or Government (or their representatives)[1] met to approve the Final Act of the conference, comprising documents drawn up in the course of the second stage.

Preparatory talks for the conference were held in Helsinki between November 1972 and May 1973 (see pp 11-15, 1973). This was followed by the first stage meeting in July 1973 (see pp 306-10, 1973), attended by the foreign ministers of participating states, which approved the agenda for the second stage of the conference. The four items listed in the agenda for the second stage were: questions relating to security in Europe; co-operation in the fields of economics, science and technology and the environment; co-operation in the humanitarian and other fields; and the arrangements for the follow-up to the conference. The second stage was convened in Geneva in September 1973, and drew up the documents which comprise the Final Act of the conference.[2] The participating states agreed to meet again in Belgrade in 1977.

Addressing the House of Commons on 15 July (*Hansard*, cols 1283-341), Mr Roy Hattersley, Minister of State for Foreign and Commonwealth Affairs, stated that the Final Act of the conference was not intended to have legal force. He said that the intention of the conference was to create the trust that ought to characterise relationships in Europe and was meant to establish a code of conduct which would guide the nations of Europe in their relations with each other. Mr Hattersley emphasised that the outcome of the conference in no way affected the legal status of existing frontiers in Europe. He drew attention to the declaration of principles enshrined in the Final Act, which states that while frontiers are regarded as inviolable and not to be assaulted or changed illegally by force, they can be changed in accordance with international law, by peaceful means, and by agreement.

Mr Hattersley went on to point out that it was not the intention of the conference to act in a military sense: 'The conference is not concerned with military reduction or weapon limitation. Discussions on those subjects take place in Vienna in the mutual and balanced force reduction talks' (see p 14), he said. He welcomed the confidence-building measures such as the undertaking that states will provide each other with details of military manoeuvres, which was of particular interest to neutral countries bordering NATO and Warsaw Pact countries.

On commercial matters, Mr Hattersley said that the conference texts involved a commitment to a greater dissemination of technical and commercial information and to the promotion of better working conditions for firms and their individual representatives. He stated that most progress had been made on the question of co-operation in humanitarian and other fields. This included pledges for the reunification of families divided by national and ideological frontiers, the improvement of working conditions for journalists, greater possibilities for travel and the wider dissemination of information.

MR WILSON'S SPEECH

The conference opened with speeches by the President of Finland, Mr Kekkonen, and the Secretary-General of the United Nations, Dr Kurt Waldheim. Following the opening speeches, Mr Wilson addressed the conference.[1] In thanking Dr Waldheim for his address, Mr Wilson said that the conference fulfilled some of the aims of those who had created the United Nations 30 years earlier. 'Similarly, the decisions of 30 years ago are put in a new setting, by our endorsement of the inviolability of frontiers, and the principle that changes in frontiers can be made in accordance with international law, by peaceful means, and by agreement. We meet in the spirit of *détente*. It is only because that spirit has informed and inspired the preparatory work that it has been made possible for us to be here. *Détente* is indivisible, as in the ultimate, freedom and peace itself, are indivisble.'

[1] The countries represented were: Austria, Belgium, Bulgaria, Canada, Cyprus, Czechoslovakia, Denmark, the Federal Republic of Germany, Finland, France, the German Democratic Republic, Greece, the Holy See, Hungary, Iceland, Italy, the Irish Republic, Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Poland, Portugal, Romania, San Marino, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States of America, the Soviet Union and Yugoslavia.

[2] *Conference on Security and Co-operation in Europe, Final Act.* Cmnd 6198. HMSO, 65p. ISBN 0 10 161980 4.

[1] Mr Wilson's speech was subsequently issued as a White Paper, *Speech by the Right Hon. Harold Wilson, M.P., Prime Minister of the United Kingdom of Great Britain and Northern Ireland, at the Conference on Security and Co-operation in Europe at Helsinki on 30 July 1975.* Cmnd 6197. HMSO, 18p. ISBN 0 10 161970 7.

After reviewing the political developments in Europe which preceded the conference, Mr Wilson continued (side headings added):

The Implications for Europe

'The Final Act of this Conference is not a treaty; nor is it a peace settlement. It does not, and it cannot, affect the status of present frontiers. It does not, and it cannot, in any way affect Four Power rights and responsibilities relating to Berlin and to Germany as a whole. But it does contain a clear commitment about refraining from the threat or use of force. Within the framework we are establishing, no excuse can henceforth be found for any participating State represented here today attempting to prevent any other from exercising its sovereign rights, or to intervene in its internal affairs. On the mutual honouring and observance of these undertakings, we shall be judged, all of us judged, each of us judged, by our own peoples, and by history.

'Inevitably our discussions and decisions here must reflect the very through work done on the military aspects. The confidence-building measures; our modest arrangements for the exchange of observers at military manoeuvres, and for prior notification of these manoeuvres; the work so far done, but regrettably incomplete, on the notification of military movements. On this, we can only hope that when the discussion is resumed in Belgrade in 1977 we shall be able to make further progress.

'Some of the Governments here represented are working for agreement in a still more vital area of military understanding, that of force reductions which are the subject of the negotiations in Vienna. There are those who say that once the new political framework for our future relations has been established here, it will be easier to make progress in lowering the level of military confrontation and establishing that more stable relationship in Europe to which all governments participating in the Vienna negotiations are committed. Let us hope that is so. We for our part are determined to make a success of the Vienna negotiations and hope that the energy which has been put into the conclusions of Geneva may now be put to equally good service by all concerned in Vienna.

'Our work here will be judged not only by the spirit of "Live and Let Live" which this conference asserts. It will be judged by how that spirit is reflected in the lives of ordinary families, by such issues as the reunification of families, the marriages of citizens of different states, the greater possibilities of travel, by professional exchanges of all kinds, and by better working conditions for our journalists and businessmen.

'*Détente* means little if it is not reflected in the daily lives of our peoples. And there is no reason why, in 1975, Europeans should not be allowed to marry whom they want, hear and read what they want, travel abroad when and where they want, meet whom they want. And to deny that proposition is a sign not of strength but of weakness. The test will be how far what we have done becomes a reality, and this also will be one of the subjects for the 1977 assessment, no less than such issues as the military, economic and cultural provisions. From this conference here in Helsinki onwards all these things become part of the permanent agenda of *détente*.'

The Wider World

Mr Wilson went on to say that the decisions of the conference were not only of importance to European nations, but also to a wider world. Many of the nations represented at the conference were members of organisations in Europe and further afield. Within Europe there was the European Community, whose nine member Governments had made a major contribution to the work of the conference. Other nations belonged to organisations such as EFTA and COMECON. But, Mr Wilson continued, in a broader world setting, some of the participants were members of groupings of non-aligned nations, and others were members of the Commonwealth, which included over 30 nations at every stage of economic development from the richest to the poorest. The achievements of the conference would be diminished if what had been agreed was not fruitful in enriching the lives of nations all over the world.

Mr Wilson went on to point out that a limited step forward on economic co-operation had been taken and said there was a need to work more closely together in this field. Violent movements in oil prices and other inescapable costs had shaken the world economy, and had brought about massive unemployment in the economically advanced nations and threatened the lives of hundreds of thousands of people in the less-developed countries. Various intra-European groupings were tackling these problems within their own areas, and many were concerned with the efforts to find solutions world-wide. The Prime Minister went on:

'I am proud to feel that earlier this year the EEC promoted an international programme of benefit to 46 developing countries in Africa, the Pacific and the Caribbean, and is now fully engaged in the energy and commodity dialogues. I should like to see the whole of Europe committed, and as far as this can be secured, committed with a common interest.

'The British initiative on commodities, designed to help less developed countries, put forward at the Commonwealth Conference in May, is now being considered with other proposals in the preparatory work for the United Nations Special Session this autumn, to be followed next year at UNCTAD. And in other ways what we have resolved in the work of CSCE should not be confined to this continent. For example, take freedom of movement of individuals and families – there has been welcome progress. But I hope that what we have each today committed ourselves to within Europe can apply also to those within our countries who want to go to start a new life outside Europe, whether in the Middle East or elsewhere.'

Détente and Disarmament

Mr Wilson concluded with a statement on questions of *détente*, nuclear non-proliferation and disarmament:

'Three nations represented here are co-depositories of the Non-Proliferation Treaty. The great majority of countries here have adhered to that treaty and in so doing have made a direct contribution towards creating the safer world we seek.

'To those who have not so far adhered to the treaty I should simply say that the proliferation of nuclear weapons threatens the security of us all. It is not a question that possession of such weapons confers any special status on the possessor – and it certainly confers awesome responsibilities. And it is certainly the profound hope of all nuclear weapon states here that this burden can eventually be shed through multilateral negotiations on nuclear disarmament in which of course it would be essential that China also take part. Those of us who have these weapons or the capability of working towards them must accept a special responsibility.

'Nuclear energy for peaceful purposes raises some different questions. This is a different, indeed welcome, proliferation, in that an invention deriving from man's ingenuity and resources can be directed to raising living standards all over the world. But even here we have to exert all our talents, all our caution, to see that this kind of nuclear peaceful proliferation does not imperil our efforts to create a safer world, or carry with it dangers of crossing the threshold from peaceful to warlike use of nuclear power. A universal system of international safeguards would help to keep us on the right side of the threshold. We need to be particularly careful about the use of nuclear explosions for peaceful purposes and we are glad that the International Atomic Energy Agency has recently set up an advisory group on this important subject.

'Upon those of us advanced in nuclear technology lies a paramount responsibility to ensure that the export of nuclear materials and technology is conducted under fair and totally effective safeguards to prevent their diversion to destructive purposes.

'Of deepening concern in the world is the development of horror chemical and biological weapons. On this question Her Majesty's Government in the late 'sixties took an initiative at the 18-nation Geneva Conference. We are glad that the Biological Weapons Convention which emerged from that initiative came into force last March. But progress on chemical weapons has been very slow because of the serious and still intractable problem of verification. It is vital that any agreement that can be reached should be totally proof against evasion. I understand that at the Soviet/American talks in Moscow a year ago a joint initiative by those countries was foreshadowed, and I welcomed this.

'In the wider context of disarmament, there is considerable support for a World Disarmament Conference. This could provide a forum which might help to speed the halting progress so far made. But, and I emphasise this, the prerequisite for such a conference is that it must be fully comprehensive, attended by *all* nuclear powers and that there must be full and adequate preparation through existing international machinery, strengthened as necessary for the purpose.

'Mr President, *détente*, "Live and Let Live", the acceptance of the principle that deep political and ideological differences do not mean that we have to live at war or even at enmity one with the other is at the heart of all our hopes for the future of Europe. All of us have the duty of proclaiming this same spirit in the United Nations, and in world-wide discussions on issues which not only divide nations, but threaten the peace of the world. For example, the Middle East, the divisions on race and colour in Africa, the strains of emergence from colonialism in different parts of the world. What then is it we want to emerge from this Conference on Security and Co-operation in Europe? Still more what do we want history to assess as our achievement?

'I would put the answer in these words:

'A Europe where its people practise tolerance, live together in peace with one another as good neighbours and unite our strength to maintain international peace and security.

'Secondly, undertakings openly proclaimed, openly honoured, and in two years' time assessed, developed and built on at Belgrade.

'Above all the assertion, in all our world relationships, that what we have together deemed as being good for us here, is good for the world; but not asserting this in words only but making it a reality by harnessing all the skill, all the influence, all the power and all the statesmanship of the nations meeting here today.'

Following Mr Wilson's speech, the representatives of the 34 other nations addressed the conference before the Final Act was signed on 1 August. The main points of the final texts, with selected extracts, are summarised below.

THE FINAL ACT

QUESTIONS RELATING TO SECURITY IN EUROPE

Declaration of Principles Guiding Relations Between Participating States

The participating states adopted a declaration of principles, in which they declared their determination to respect and put into practice the following principles guiding their mutual relations:

'Sovereign equality, respect for the rights inherent in sovereignty

'The participating States will respect each other's sovereign equality and individuality as well as all the rights inherent in and encompassed by its sovereignty, including in particular the right of every State to juridical equality, to territorial integrity and to freedom and political independence. They will also respect each other's right freely to choose and develop its political, social, economic and cultural systems as well as its right to determine its laws and regulations.

'Within the framework of international law, all the participating States have equal rights and duties. They will respect each other's right to define and conduct as it wishes its relations with other States in accordance with international law and in the spirit of the present Declaration. They consider that their frontiers can be changed, in accordance with international law, by peaceful means and by agreement. They also have the right to belong or not to belong to international organisations, to be or not to be a party to bilateral or multilateral treaties including the right to be or not to be a party to treaties of alliance; they also have the right to neutrality.

'Refraining from the threat or use of force

'The participating States will refrain in their mutual relations, as well as in their international relations in

general, from the threat or use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations and with the present Declaration. No consideration may be invoked to serve to warrant resort to the threat or use of force in contravention of this principle.

'Accordingly, the participating States will refrain from any acts constituting a threat of force or direct or indirect use of force against another participating State. Likewise they will refrain from any manifestation of force for the purpose of inducing another participating State to renounce the full exercise of its sovereign rights. Likewise they will also refrain in their mutual relations from any act of reprisal by force. . . .

'Inviolability of frontiers

'The participating States regard as inviolable all one another's frontiers as well as the frontiers of all States in Europe and therefore they will refrain now and in the future from assaulting these frontiers.

'Accordingly, they will also refrain from any demand for, or act of, seizure and usurpation of part or all of the territory of any participating State.

'Territorial integrity of States

'The participating States will respect the territorial integrity of each of the participating States.

'Accordingly, they will refrain from any action inconsistent with the purposes and principles of the Charter of the United Nations against the territorial integrity, political independence or the unity of any participating State and in particular from any such action constituting a threat or use of force.

'The participating States will likewise refrain from making each other's territory the object of military occupation or other direct or indirect measures of force in contravention of international law, or the object of acquisition by means of such measures or the threat of them. No such occupation or acquisition will be recognised as legal.

'Peaceful settlement of disputes

'The participating States will settle disputes among them by peaceful means in such a manner as not to endanger international peace and security, and justice.

'They will endeavour in good faith and a spirit of co-operation to reach a rapid and equitable solution on the basis of international law.

'For this purpose they will use such means as negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement or other peaceful means of their own choice including any settlement procedure agreed to in advance of disputes to which they are parties. . . .

'Non-intervention in internal affairs

'The participating States will refrain from any intervention, direct or indirect, individual or collective, in the internal or external affairs falling within the domestic jurisdiction of another participating State, regardless of their mutual relations. . . .

'Accordingly, they will, *inter alia*, refrain from direct or indirect assistance to terrorist activities, or to subversive or other activities directed towards the violent overthrow of the regime of another participating State.

'Respect for human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief

'The participating States will respect human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief, for all without distinction as to race, sex, language or religion.

'They will promote and encourage the effective exercise of civil, political, economic, social, cultural and other rights and freedoms all of which derive from the inherent dignity of the human person and are essential for his free and full development.

'Within this framework the participating States will recognise and respect the freedom of the individual to profess and practise, alone or in community with others, religion or belief acting in accordance with the dictates of his own conscience.

'The participating States on whose territory national minorities exist will respect the right of persons belonging to such minorities to equality before the law, will afford them the full opportunity for the actual enjoyment of human rights and fundamental freedoms and will, in this manner, protect their legitimate interests in this sphere. . . .

'Equal rights and self-determination of peoples

'The participating States will respect the equal rights of peoples and their right to self-determination, acting at all times in conformity with the purposes and principles of the Charter of the United Nations and with the relevant norms of international law, including those relating to territorial integrity of States.

'By virtue of the principle of equal rights and self-determination of peoples, all peoples always have the right, in full freedom, to determine, when and as they wish, their internal and external political status, without external interference, and to pursue as they wish their political, economic, social and cultural development. . . .

'Co-operation among States

'The participating States will develop their co-operation with one another and with all States in all fields in accordance with the purposes and principles of the Charter of the United Nations. In developing their co-operation the participating States will place special emphasis on the fields as set forth within the framework of the Conference on Security and Co-operation in Europe, with each of them making its contribution in conditions of full equality. . . .

'Fulfilment in good faith of obligations under international law

'The participating States will fulfil in good faith their obligations under international law, both those obligations arising from the generally recognised principles and rules of international law and those obligations arising from treaties or other agreements, in conformity with international law, to which they are parties. . . .

'The participating States confirm that in the event of a conflict between the obligations of the members of the United Nations under the Charter of the United Nations and their obligations under any

treaty or other international agreement, their obligations under the Charter will prevail, in accordance with Article 103 of the Charter of the United Nations.'

Confidence-building Measures and Certain Aspects of Security and Disarmament

The preamble recognised that participating states were desirous of eliminating the causes of tension that may exist among them and thus contributing to the strengthening of peace and security in Europe and the world. Participating states were convinced of the political importance of prior notification of major military manoeuvres for the promotion of mutual understanding and the strengthening of confidence, stability and security. Recognising that this measure deriving from political decision rests upon a voluntary basis, the participating states adopted the following:

'Prior notification of major military manoeuvres

'They will notify their major military manoeuvres to all other participating States through usual diplomatic channels in accordance with the following provisions:

'Notification will be given of major military manoeuvres exceeding a total of 25,000 troops, independently or combined with any possible air or naval components (in this context the word "troops" includes amphibious and airborne troops). . . .

'Notification will be given of major military manoeuvres which take place on the territory, in Europe, of any participating State as well as, if applicable, in the adjoining sea area and air space.

'In the case of a participating State whose territory extends beyond Europe, prior notification need be given only of manoeuvres which take place in an area within 250 kilometres from its frontier facing or shared with any other European participating State, the participating State need not, however, give notification in cases in which that area is also contiguous to the participating State's frontier facing or shared with a non-European non-participating State.

'Notification will be given 21 days or more in advance of the start of the manoeuvre or in the case of a manoeuvre arranged at shorter notice at the earliest possible opportunity prior to its starting date.

'Notification will contain information of the designation, if any, the general purpose of and the States involved in the manoeuvre, the type or types and numerical strength of the forces engaged, the area and estimated time-frame of its conduct. The participating States will also, if possible, provide additional relevant information, particularly that related to the components of the forces engaged and the period of involvement of these forces. . . .

'Exchange of observers

'The participating States will invite other participating States, voluntarily and on a bilateral basis, in a spirit of reciprocity and goodwill towards all participating States, to send observers to attend military manoeuvres.

'The inviting State will determine in each case the number of observers, the procedures and conditions of their participation, and give other information which it may consider useful. . . .'

Prior notification of major military movements

In accordance with the Final Recommendations of the Helsinki Consultations the participating states studied the question of prior notification of major military movements as a measure to strengthen confidence.

'Accordingly, the participating States recognise that they may, at their own discretion and with a view to contributing to confidence-building, notify their major military movements. . . .

'Other confidence-building measures

'The participating States recognise that there are other means by which their common objectives can be promoted.

'In particular, they will, with due regard to reciprocity and with a view to better mutual understanding, promote exchanges by invitation among their military personnel, including visits by military delegations. . . .

'Questions relating to disarmament

'The participating States recognise the interest of all of them in efforts aimed at lessening military confrontation and promoting disarmament which are designed to complement political *détente* in Europe and to strengthen their security. They are convinced of the necessity to take effective measures in these fields which by their scope and by their nature constitute steps towards the ultimate achievement of general and complete disarmament under strict and effective international control, and which should result in strengthening peace and security throughout the world. . . .'

CO-OPERATION IN THE FIELD OF ECONOMICS, OF SCIENCE AND TECHNOLOGY AND OF THE ENVIRONMENT

The preamble to this section declared that the participating states, convinced that their efforts to develop co-operation in the fields of trade, industry, science and technology, the environment and other areas of economic activity contribute to the reinforcement of peace and security in Europe and the world as a whole, adopted the following:

'The participating States, . . .

'Commercial exchanges

'Will take measures further to improve conditions for the expansion of contacts between representatives of official bodies, of the different organisations, enterprises, firms and banks concerned with foreign trade, in particular, where useful, between sellers and users of products and services, for the purpose of studying commercial possibilities, concluding contracts, ensuring their implementation and providing after-sales services. . . .

'Will further take measures aimed at improving working conditions of representatives of foreign organisations, enterprises, firms and banks concerned with external trade. . . .

'Will promote the publication and dissemination of economic and commercial information at regular intervals and as quickly as possible. . . .

'Will encourage organisations, enterprises and firms concerned with foreign trade to develop further the knowledge and techniques required for effective marketing....

'Industrial co-operation and projects of common interest

'Propose to encourage the development of industrial co-operation between the competent organisations, enterprises and firms of their countries....

'Regard it as necessary to encourage, where appropriate, the investigation by competent and interested organisations, enterprises and firms of the possibilities for the carrying out of projects of common interest in the fields of energy resources and of the exploitation of raw materials, as well as of transport and communications....

'Provisions concerning trade and industrial co-operation

'Reaffirm their interest to achieve the widest possible international harmonisation of standards and technical regulations....

'Recommend, where appropriate, to organisations, enterprises and firms in their countries, to include arbitration clauses in commercial contracts and industrial co-operation contracts, or in special agreements....

'Will consider favourably the conclusion, in appropriate cases, of specific bilateral agreements concerning various problems of mutual interest in the fields of commercial exchanges and industrial co-operation, in particular with a view to avoiding double taxation and to facilitating the transfer of profits and the return of the value of the assets invested....'

Science and technology

The participating states also recognised that possibilities exist for further improving scientific and technological co-operation, and considered that possibilities to expand co-operation existed, *inter alia*, in the areas of agriculture, energy, transport technology, oceanography, computer, communication and information technologies, space research, medicine and public health and environmental research.

Environment

The participating states agreed to study, with a view to their solution, those environmental problems which, by their nature, are of a multilateral, bilateral, regional or sub-regional dimension. They agreed to make use of every suitable opportunity to co-operate in the field of environment, in particular within the areas of air pollution, water pollution, protection of the marine environment, land utilisation and soils, nature conservation, improvement of environmental conditions in areas of human settlement, fundamental research on the environment and legal and administrative measures.

The participating states also agreed on measures of co-operation in other areas such as transport, tourism, migrant labour and the training of personnel.

The Mediterranean Declaration

The final texts included the Mediterranean Declaration, under which participating States declared their intention of maintaining and amplifying the contacts and dialogue as initiated by the CSCE with the non-participating Mediterranean states to include all the states of the Mediterranean, with the purpose of contributing to peace, reducing armed forces in the region, strengthening security, lessening tensions in the region, and widening the scope of co-operation in the fields of economic, commercial, industrial, technological and environmental matters.

CO-OPERATION IN THE HUMANITARIAN AND OTHER FIELDS

Human Contacts

In the preamble to this section, the participating states expressed their desire to contribute to the strengthening of peace and understanding among peoples and to the spiritual enrichment of the human personality, without distinction as to race, sex, language or religion. They were conscious that increased cultural and educational exchanges, broader dissemination of information and contacts between people would contribute to the attainment of these aims, and were determined therefore to co-operate among themselves, irrespective of their political, economic and social systems, in order to create better conditions in the above fields. Accordingly, the participating states adopted the following:

'Contacts and regular meetings on the basis of family ties.

'In order to promote further development of contacts on the basis of family ties the participating States will favourably consider applications for travel with the purpose of allowing persons to enter or leave their territory temporarily, and on a regular basis if desired, in order to visit members of their families.

'Applications for temporary visits to meet members of their families will be dealt with without distinction as to the country of origin or destination: existing requirements for travel documents and visas will be applied in this spirit. The preparation and issue of such documents and visas will be effected within reasonable time limits; cases of urgent necessity – such as serious illness or death – will be given priority treatment. They will take such steps as may be necessary to ensure that the fees for official travel documents and visas are acceptable....

'Reunification of families

'The participating States will deal in a positive and humanitarian spirit with the applications of persons who wish to be reunited with members of their family, with special attention being given to requests of an urgent character – such as requests submitted by persons who are ill or old.

'They will deal with applications in this field as expeditiously as possible.

'They will lower where necessary the fees charged in connection with these applications to ensure that they are at a moderate level....

'Marriage between citizens of different States

'The participating States will examine favourably and on the basis of humanitarian considerations requests for exit or entry permits from persons who have decided to marry a citizen from another participating State....'

The declaration goes on to say that participating states intend to facilitate wider travel by their citizens for personal or professional reasons, and they intend, *inter alia*, gradually to simplify and to administer flexibly the procedures for exit and entry; ease regulations concerning movements of citizens from the other participating states in their territory, with due regard to security requirements; and will endeavour gradually to lower, where necessary, the fees for visas and official travel documents. The participating states also agreed their intention of promoting the development of tourism, on an individual or collective basis, and to further the development of contacts and exchanges among young people.

In order to expand existing links and co-operation in the field of sport, the participating states agreed to encourage contacts and exchanges of this kind.

Information

The final text declares that the participant states will make it their aim to facilitate the freer and wider dissemination of information of all kinds, to encourage co-operation in the field of information and the exchange of information with other countries, and to improve the conditions under which journalists from one participating state exercise their profession in another participating state. In particular, the participating states express their intention:

'Oral information

'To facilitate the dissemination of oral information through the encouragement of lectures and lecture tours by personalities and specialists from the other participating States, as well as exchanges of opinions at round table meetings, seminars, symposia, summer schools, congresses and other bilateral and multilateral meetings.

'Printed information

'To facilitate the improvement of the dissemination, on their territory, of newspapers and printed publications, periodical and non-periodical, from the other participating States . . . they will encourage their competent firms and organisations to conclude agreements and contracts designed gradually to increase the quantities and the number of titles of newspapers and publications imported from the other participating States....

'To contribute to the improvement of access by the public to periodical and non-periodical printed publications imported on the bases indicated above. In particular: they will encourage an increase in the number of places where these publications are on sale; they will facilitate the availability of these periodical publications during congresses, conferences, official visits and other international events and to tourists during the season; they will develop the possibilities for taking out subscriptions according to the modalities particular to each country; they will improve the opportunities for reading and borrowing these publications in large public libraries and their reading rooms as well as in university libraries....

'Filmed and broadcast information

'To promote the improvement of the dissemination of filmed and broadcast information. To this end: they will encourage the wider showing and broadcasting of a greater variety of recorded and filmed information from the other participating States, illustrating the various aspects of life in their countries....

'The participating States note the expansion in the dissemination of information broadcast by radio, and express the hope for the continuation of this process, so as to meet the interest of mutual understanding among peoples and the aims set forth by this Conference.'

Improvement of working conditions for journalists

The participating states, desiring to improve the conditions under which journalists from one participating state exercise their profession in another participating state intend to, *inter alia*, examine in a favourable spirit requests from journalists for visas, ease procedures for arranging travel by journalists in the country where they are exercising their profession, increase the opportunities for the journalists of the participating states to communicate personally with their sources and enable them to transmit completely, normally and rapidly the results of their professional activity.

The participating states reaffirmed that the legitimate pursuit of their professional activity will neither render journalists liable to expulsion nor otherwise penalise them. If an accredited journalist is expelled, he will be informed of the reasons for this act and may submit an application for re-examination of his case.

Co-operation and Exchanges in the Field of Culture

The participating states considered that cultural exchanges and co-operation contribute to a better comprehension among people and thus promote a lasting understanding among states. They were disposed to increase substantially their cultural exchanges, with regard both to persons and to cultural works, and to develop among them an active co-operation, both at the bilateral and the multilateral level. The participating states declared that they jointly set themselves the following objectives: to develop the mutual exchange of information with a view to a better knowledge of respective cultural achievements; to improve the facilities for the exchange and for the dissemination of cultural property; to promote access by all to respective cultural achievements; to develop contacts and co-operation among persons active in the field of culture; to seek new fields and forms of cultural co-operation.

Among other things, the participating states expressed their intention of promoting a wider dissemination of books and artistic works, in particular by facilitating, while taking full account of the international copyright conventions to which they are party, international contacts and communications

between authors and publishing houses as well as other cultural institutions, with a view to a more complete mutual access to cultural achievements.

Co-operation and Exchanges in the Field of Education

The participating states were conscious that the development of relations of an international character in the fields of education and science contributed to a better mutual understanding. They expressed their intention:

'To expand and improve at the various levels co-operation and links in the fields of education and science....

'To improve access, under mutually acceptable conditions, for students, teachers and scholars of the participating States to each other's educational, cultural and scientific institutions, and to intensify exchanges among these institutions in all areas of common interest....

'Within their competence to broaden and improve co-operation and exchanges in the field of science....

'To encourage the study of foreign languages and civilisations as an important means of expanding communication among peoples for their better acquaintance with the culture of each country, as well as for the strengthening of international co-operation....

'To promote the exchange of experience, on a bilateral or multilateral basis, in teaching methods at all levels of education, including those used in permanent and adult education, as well as the exchange of teaching materials....'

FOLLOW-UP TO THE CONFERENCE

The participating states expressed their intention to implement the provisions of the Final Act of the conference in order to give full effect to its results. In order to achieve the aims of the conference, they expressed their conviction that they should make further unilateral, bilateral and multilateral efforts and declared their resolve to continue the multilateral process initiated by the conference:

'By proceeding to a thorough exchange of views both on the implementation of the provisions of the Final Act and of the tasks defined by the Conference, as well as, in the context of the questions dealt with by the latter, on the deepening of their mutual relations, the improvement of security and the development of co-operation in Europe, and the development of the process of *détente* in the future;

'By organising to these ends meetings among their representatives, beginning with a meeting at the level of representatives appointed by the Ministers of Foreign Affairs. This meeting will define the appropriate modalities for the holding of other meetings which could include further similar meetings and the possibility of a new Conference.'

The first of the meetings indicated above will be held at Belgrade in 1977. A preparatory meeting to organise this meeting will be held on 15 June 1977, which will decide on the date, duration, agenda and other modalities of the meeting of representatives appointed by the Ministers of Foreign Affairs.

European Community

During the period from the British referendum to the Community's recess for the summer holidays, Britain played its full part in the development of Community policies, with its membership, in the Prime Minister's words, now 'committed and total'. The following article examines the July meeting of the European Council of heads of Government, and discusses developments relating to institutional questions, agriculture, and the Community's external relations.

EUROPEAN COUNCIL

The British Prime Minister, Mr Wilson, described Britain's membership of the Community as now 'committed and total' in an address to other Community heads of Government during the first meeting of the European Council to be held since the British referendum (see p 227).

Addressing the European Council meeting in Brussels on 16-17 July, the Prime Minister said that the decisive result of the referendum, which had produced a majority in favour of continued membership greater than the majority achieved by any Government in a British general election, had created a new situation. Argument in Britain about whether Britain should be in the Community had ceased, and some of those people, particularly in the trade union movement, who had campaigned most actively in favour of Britain's withdrawal had now decided to enter into the work of the Community's institutions. Mr Wilson drew attention to the participation of Parliamentary Labour Party representatives in the European Assembly (see pp 262-3), and of representatives of British trade unions in the work of the Community's Economic and Social Committee.[1]

The Prime Minister said that Britain's accession in 1973 had not necessarily carried the commitment of the whole British people, but 'now this commitment is beyond doubt'.

Looking forward to Britain's participation in the Community, Mr Wilson said that on every issue Britain would be playing its full part. When it pressed for interests of importance, it would be doing no more than any other Community member. The Prime Minister pledged that Britain would 'approach these matters inspired by the desire to work out a shared Community interest'.

Increasingly, Community members would be concerned with reaching agreement on major economic and political issues, such as energy and matters of commodity policy (see below), to be discussed in settings wider than the Community itself.

Mr Wilson told his Community colleagues that the European Council the Council of Ministers and other Community institutions had a major role to play in ensuring that a European dimension was added whenever any individual Government, including Britain considered its policy in any major field.

[1] The British TUC General Council confirmed a list of eight delegates to the Economic and Social Committee on 23 July. The delegation is headed by Mr Jack Jones, general secretary of the Transport and General Workers' Union and chairman of the TUC International Committee.

Economic and Monetary Issues

A discussion by heads of Government of the world economic situation produced agreement that Community members would strengthen the co-ordination of their economic and financial policies. A statement issued after the European Council meeting noted the intention of certain member states to adopt harmonised measures to prevent a further deterioration of the economic situation in the autumn.[1]

The heads of Government registered their opinion that current economic problems must be tackled in co-operation with other industrialised countries, such as the United States and Japan, in order to secure an effective economic recovery. They confirmed their readiness to do all in their power to achieve this.

Agreement in principle to a conference of European trade union representatives and ministers of economic and labour affairs was also reached. The heads of Government invited the Commission to submit proposals for the conference, which had been requested by the European Trade Union Confederation.

Other Issues

Other issues discussed by the heads of Government included the question of Community aid to Portugal raw materials and development assistance, and institutional developments in the Community. These are examined in the appropriate sections below.

AGRICULTURE

Support prices for agricultural products governed by the Community's Common Agricultural Policy (CAP) have been increased in Britain by about 5 per cent as a result of a devaluation of the 'green pound'.

The 'green pound' is the special rate of exchange – or representative rate – used only in the agricultural sector to convert common Community support prices expressed in units of account (ua) into £ sterling. Representative rates in some Community countries – including Britain – differ from actual market rates of exchange.

Community agriculture ministers meeting in Brussels on 21-22 July agreed to a British proposal that Britain's representative rate should be devalued by 5 per cent from £1 = 1·96178 ua to £1 = 1·86369 ua. The change helps to offset part of the difference between Britain's representative rate and the market rate for the £, which has weakened further since the 'green pound' was last devalued in March this year (see p 96).

The effect of the change, which took effect from 4 August, is automatically to increase common support prices expressed in £ sterling by about 5 per cent. The Minister of Agriculture, Fisheries and Food, Mr Fred Peart, told the House of Commons (*Hansard*, 24.7.75, cols 791-3) that it should increase returns to British agriculture by over £100 million in a full year. 'This is a valuable step towards the longer-term objectives set out in the Government's White Paper *Food from our own Resources*' he said (see pp 211-12).

The consequences of the devaluation of the 'green pound' for producer returns and for consumer prices depend upon the market circumstances of particular commodities and whether support mechanisms are in operation. Mr Peart estimated that food prices might increase on average by about 1 per cent. He continued: 'Because of the paramount importance of the Government's attack on inflation, this has not been an easy decision for the Government to take now. We have taken it because an increase in producers' returns and support prices is needed in the interests of our future food supply. We remain ready to consider further adjustments should these be necessary to assure our agricultural industry a fair return.'

The consequences for producer prices for particular commodities are as follows:

Milk: The effective level of the guarantee will be increased by 2·2p a gallon from 1 September. The new annual average guaranteed price for 1975-76 will be 35·92p a gallon. This increase is worth some £33 million during the period until March 1976.

To finance the increase in the guaranteed price, and to cover other costs, the maximum retail price of milk has been increased by 1p a pint in order to keep within the provision available for the food subsidy programme.

Beef: Although the new representative rate applies in Britain for all commodities covered by the CAP, undue support buying of beef during the peak period of autumn marketings will be avoided by the adjustment of intervention coefficients in order to keep effective buying-in prices unchanged.

The new rate does not apply to the fixed element in Britain's slaughter premiums (see p 95), and will apply to the variable element only from 1 January 1976.

Mr Peart told the Commons that target prices would increase from £21·90 a live cwt in October to £25·75 in February 1976.

For *Wheat and Barley*, the September intervention price for the 1975 crop rises to about £54·90 and £47·60 a ton respectively. In Britain, however, guarantees for wheat, barley and oats continue for 1975-76.

For *Sugar Beet*, the guaranteed minimum for the 1975 crop is increased to £13·11 a ton. Other payments bring growers' returns up to about £16·75.

Pigs: The basic price rises from £4·54 a score to about £4·77 from 4 August.

A further consequence of the devaluation of the 'green pound' is to cut Community-financed monetary compensatory amounts (MCAs) (see p 96), which in Britain's case are paid as subsidies on imports of agricultural products from other Community countries, and are levied on British agricultural exports to the rest of the Community. The cost of MCAs has been increasing rapidly as a result of the fall in the value of the £. MCAs continue to apply on British agricultural trade, but at lower rates.

Agriculture ministers agreed that the rate for the Irish 'green pound' should also be revised down-

[1] The Federal German Chancellor, Herr Schmidt, and the French President, M. Giscard d'Estaing, agreed at a meeting on 26-27 July to introduce a series of parallel reflationary measures in August or early September.

wards. The new rate for the Irish pound is now 1·76843 ua.

INSTITUTIONS

European Assembly

The European Assembly's powers to control proposed Community expenditure are to be strengthened and a new Court of Auditors set up to reinforce the audit of the Community's spending and revenue.

A treaty signed by representatives of the Community's member states[1] in Brussels on 22 July gives the Assembly authority in certain circumstances to reject entirely a draft budget submitted to it by the Council. It also establishes as a separate institution a European Communities Court of Auditors (see below).

The treaty, which is subject to ratification by the member states' parliaments, amends the financial provisions of earlier treaties. It fulfils the pledge given by Community heads of Government at their meeting in Paris in December 1974 that the competence of the Assembly would be extended.

Background

The 1975 draft budget, which was examined by the Assembly in the autumn of 1974, was the first for which the provisions of the April 1970 treaty relating to parliamentary control of budget estimates came into effect. The April 1970 treaty extended the Assembly's budgetary authority at the same time as it made provision for the Community progressively to draw upon financial resources automatically accruing to it (see p 143).

Under that treaty, Community expenditure is categorised into 'compulsory' – that is, unavoidably incurred by the provisions of the Treaties of Rome and Paris, or from regulations giving effect to their provisions – and 'non-compulsory'. With regard to non-compulsory expenditure, the Assembly has the right to increase budgetary appropriations by an amount up to one-half of a maximum rate of increase agreed jointly between the Commission, the Council and the Assembly, and in these circumstances it has the last word.

For compulsory expenditure, the Assembly can propose amendments by an absolute majority, but the Council of Ministers can reject them if it so decides.

New Powers

The provisions of the latest treaty extending the Assembly's powers leave largely unchanged the procedure relating to non-compulsory expenditure. However, in the case of compulsory expenditure, an amendment by the Assembly which does not have the effect of increasing total expenditure can be over-ruled by the Council only by a qualified majority (i.e., 41 votes out of a total of 58). Amendments by the Assembly which have the effect of increasing compulsory expenditure have no effect unless the Council accepts them by a qualified majority vote.

[1] Britain was represented by the United Kingdom Permanent Representative to the European Communities, Sir Michael Palliser, who is to be replaced in September by Sir Donald Maitland, formerly British Permanent Representative at the United Nations.

The most important extension of the Assembly's powers lies in the provision that, if there are important reasons, it may reject the draft budget entirely and ask for a new draft to be submitted to it if it finds the Council's amendments to its own amendments unacceptable. This would require a majority of the Assembly's members and two-thirds of the votes cast.

Direct Elections to the European Assembly

The Community's heads of Government, at their meeting on 16-17 July, called upon the Council of Ministers to present a report by the end of the year on the problems posed by elections to the European Assembly on the basis of direct universal suffrage.

At their meeting in Paris in December 1974 (see p 10), seven of the nine heads of Government called for the holding of direct elections as soon as possible, perhaps in or after 1978. Because of the uncertainties created by the referendum in Britain on continued membership, however, Britain was unable to take up a position on the issue. Denmark expressed a similar reserve.

At a press conference following the European Council meeting in July, the Prime Minister said that as Labour Party representatives had only recently attended their first session of the European Assembly, it was too early for Britain to have formed a view on the issue of direct elections.

Court of Auditors

The new Court of Auditors will examine the accounts of all expenditure and revenue of the Community and all bodies set up by it. It will consist of nine members appointed for a term of six years by the Council, acting unanimously after consulting the Assembly.

The court will draw up a report at the close of each financial year, following an audit performed if necessary on the spot in the institutions of the Community and in the member states. Audits carried out in member states will be performed in liaison with national audit bodies.

EXTERNAL RELATIONS

Developing Countries

Raw Materials

Agreement on the basic principles of a joint Community approach to the problem of raw materials in the context of development co-operation was agreed by Community foreign ministers meeting in Brussels on 22 July.

The approach is designed to meet the most pressing needs of developing countries, particularly the poorest of them, and reflects the wish of the Community to play a constructive part in the forthcoming Seventh Special Session of the United Nations General Assembly. This will be devoted to international economic relations and is due to begin in New York on 1 September.

The approach agreed by the Community reflects many of the suggestions put forward in May at the Commonwealth heads of Government meeting in Jamaica by the British Prime Minister, Mr Wilson (see pp 189-91). It stresses the need to examine

commodities on an individual basis in order to establish which measures, such as commodity agreements, would best limit excessive price fluctuation. The Community is also willing to participate in international action to deal with the problem of instability of export earnings of developing countries – for example, through the improvement of the International Monetary Fund's compensatory financing mechanism.

The subject of raw materials was also discussed by the European Council at its July meeting. In a statement issued afterwards, heads of Government pledged that the Community would aim at 'the achievement of real progress towards a more balanced and equitable pattern of international economic relations, which will involve strengthening the position of the developing countries'.

African, Caribbean and Pacific (ACP) Countries

Certain provisions of the Convention of Lomé (see pp 51-3) relating to access into the Community for the exports of the ACP countries were implemented unilaterally by the Community on 1 July.

Community foreign ministers meeting in Luxembourg on 24 June agreed a series of measures designed to fulfil their undertaking at the time of the signing of the Convention that its trade provisions would be implemented before the completion of the lengthy process of formal ratification by at least two-thirds of the 46 ACP countries, and the nine member states of the Community. The measures implement unilaterally provisions relating to trade in manufactured, agricultural and processed agricultural products.

Most of the provisions were extended from 1 August to cover trade between the Community and the dependent territories (the OCT – overseas countries and territories) of Britain, France and the Netherlands, whose relations with the Community as a whole are now regulated along lines similar to those set out in the Lomé Convention.

At the same meeting, Community foreign ministers acceded to a British request that the Community should extend more favourable treatment to the exports of those ACP countries particularly dependent on trade in beef and veal. Botswana, Kenya, Swaziland and the Malagasy Republic have been particularly hard-hit by the depression in the world beef market.

Foreign ministers agreed to what amounts to a 90 per cent reduction in the Community levy on ACP beef and veal, to apply in conjunction with the imposition by exporting countries of an export tax of equivalent proportions.

Asia

India: The Community is to import for an indefinite period and at guaranteed prices agreed quantities of Indian sugar.

Community foreign ministers meeting in Brussels on 16 June approved the details of an agreement similar to that contained in Protocol 3 of the Convention of Lomé governing relations between the Community and the mainly Commonwealth ACP sugar-exporting countries.

The agreement fulfils the pledge given by the Community in the Joint Declaration of Intent annexed to the Treaty of Accession, which stressed its intention to extend and strengthen trade relations with the independent Commonwealth and former-Commonwealth countries of Asia. It specifically referred to the safeguarding of Indian sugar exports to the Community after the end of 1974, when the Commonwealth Sugar Agreement (CSA), of which India was a member, expired.

The Community has undertaken to import for an indefinite period and at prices related to support levels for Community beet sugar production, 25,000 tonnes annually of white sugar, which India has undertaken to supply. This is the quantity of sugar India supplied to Britain under the CSA.

Sri Lanka: The Community and Sri Lanka signed a Commercial Co-operation Agreement in Brussels on 22 July.

The agreement, similar to that concluded with India in December 1973, furthers the principles of the Joint Declaration of Intent (see above), and supplements other aspects of the Community's development policy which are of benefit to Sri Lanka.

It provides in the field of trade for the mutual granting of most-favoured-nation treatment – that is, trade is to be accorded treatment no worse than that applied in the case of third countries in general. The Community and Sri Lanka have undertaken to promote the maximum development and diversification of their mutual trade, and the Community has pledged to take into account the interests of Sri Lanka in the development of its generalised system of preferences.

A joint commission has been established to supervise the working of the agreement.

Mexico

A similar agreement between the Community and Mexico was concluded in Brussels on 15 July. As in the case of the accord with Sri Lanka, it provides for the mutual granting of most-favoured-nation treatment, and undertakes to promote the maximum development of trade. A Joint EEC-Mexico Commission has been established to supervise the operation of the agreement.

United Nations

In a statement issued after the meeting of the European Council, the heads of Government of the Community reiterated its confidence in the UN as 'the main organ of international co-operation' and 'a universal and indispensable instrument of world-wide dialogue and co-operation'. At the same time, they pledged themselves to defend and promote respect for the UN Charter, the rights of member states and the existing rules of procedure. At a press conference after the meeting of the European Council, the British Secretary of State for Foreign and Commonwealth Affairs, Mr Callaghan, spoke of disturbing tendencies in the UN which had grown over the past year or two. 'If there are any tendencies to alter the existing respect for the Charter,' he said, 'then that clearly would undermine the confidence which nations have in the United Nations.'

Western Europe

Greece

The European Commission is preparing an Opinion on the question of Greek membership of the Community following Greece's application to join, which was delivered in June.

This followed the extension to Britain, Denmark and the Irish Republic of the provisions of the 1962 Athens agreement under which Greece is associated with the Community (see p 230). The Athens agreement provides for Greece's eventual accession to the Community as a full member: under Article 237 of the Treaty of Rome any European state is eligible to apply for membership.

At the first ministerial meeting of the EEC-Greece Association Council to be held in Athens, on 28 July, it was agreed that steps towards harmonising the agricultural policies of the Community and Greece would be intensified.

Portugal

Portugal has also expressed interest in closer relations with the Community, which has been examining the desirability of extending financial assistance to that country. Against the background of the deteriorating political situation in Portugal, the Community's heads of Government issued a statement after their July meeting which reaffirmed the Community's willingness to discuss closer economic and financial co-operation. They added, however, that 'the European Community – in accordance with its European policy and history to date – can only support a pluralist democracy'.

Icelandic Fisheries

On 15 July the Icelandic Government announced its intention to increase Iceland's fisheries limit from 50 miles to 200 miles with effect from 15 October. All foreign fishing vessels are to be prohibited from fishing inside the 200-mile limit although the Fisheries Minister, Mr Bjarnason, said at a press conference following the announcement that the Icelandic Government was ready to have discussions about the restrictions with interested nations.

A Foreign and Commonwealth Office spokesman said on 15 July that the FCO 'regret this claim to a 200-mile fishing limit'. However, they welcomed assurances that had been given with respect to discussions on the application of the proposed new regulations. It was hoped that these discussions would start shortly and that they would lead to 'serious negotiations on the terms of a revised agreement on British fishing around Iceland'. The Minister of State for Foreign and Commonwealth Affairs, Mr David Ennals, said on 21 July (*Hansard*, written answers, col 17) that the British Government was urging the Icelandic Government to open talks at the earliest possible moment.

Background

The announcement of the extension was not entirely unexpected. Iceland has repeatedly expressed its intentions to extend the fisheries limits to 200 miles whether or not the United Nations Law of the Sea Conference (UNLOSC III) agreed on such a limit, generally. In the event UNLOSC III has so far failed to reach agreement on this point, *inter alia*, and is to reconvene in New York in March 1976 (see p 236).

An interim agreement on the Anglo-Icelandic fisheries dispute (over the previous extension from 12 miles to 50 miles) came into operation on 13 November 1973 (see pp 488-9, 1973) and expires on 13 November 1975. This interim agreement did not affect the case which had been before the International Court of Justice since April 1972. A ruling on this case, that Britain was not bound by Iceland's declaration in 1972 that it was extending its fisheries limits from 12 miles to 50 miles, was made by the International Court on 25 July 1974 (see p 313, 1974). Iceland, however, rejected this judgment. Informal talks on a new agreement have begun already; Mr Hallgrimsson, the Icelandic Prime Minister, having met Mr Callaghan in Brussels in May and Mr Wilson in London in June.

Shorter Notes

NIGERIA

The British Government's establishment of normal relations with the new Federal Military Government of Nigeria, constituting an act of recognition, took place on 1 August. The Government's announcement spoke of Britain's 'close relations with Nigeria both bilaterally and as a fellow-member of the Commonwealth', expressed the hope that 'these good relations will continue', and stated that the Government 'intend to work with the new Federal Military Government in a spirit of goodwill and whole-hearted co-operation'.

The new Federal Government came to power in a bloodless *coup* on 29 July. Its leader, Brigadier Murtala Mohammed, was formerly Inspector of Signals for the Nigerian Armed Forces and was one of the architects of the *coup* of 29 July 1966 which brought General Gowon to power. The former head of State was deposed while representing Nigeria at the heads of State meeting of the Organisation of African Unity at Kampala. He has pledged his loyalty to the new Government, which has retired him with full benefits and has guaranteed his freedom to return to live and work in Nigeria.

The new Federal Government has appointed its own Chiefs of Staff to the Armed Forces and Inspector-General of Police, and has retired high-ranking officers, as well as all civil Commissioners on the Federal Executive Council. New Commissioners are being appointed. The appointment of new military Governors to Nigeria's 12 states has already been announced. Other decisions so far made include the cancellation of the 1973 census and the use of 1963 census figures for planning purposes; and postponement of the Black and African Festival of Arts and Culture, planned to be held at Lagos in November-December 1975. Advisory panels are to be set up to consider, *inter*

alia, the formation of new states in Nigeria and the question of the location of the Federal capital.

BRITISH-UGANDAN RELATIONS

A statement on Britain's relations with Uganda was made in the House of Commons on 16 July (*Hansard*, cols 1475-8) by Mr Ennals, Minister of State at the Foreign and Commonwealth Office. This followed the Foreign and Commonwealth Secretary's visits to Zaïre on 8 July and to Uganda on 9 and 10 July and President Amin's release to him of the British lecturer, Mr Denis Hills.

In Uganda, Mr Ennals said, Mr Callaghan had held discussions with President Amin and with several Ugandan Ministers and officials, and had met many of the British community. The talks with President Amin had covered a number of topics, and the President had given 'assurances about the safety of the British community in Uganda and reaffirmed that compensation would be paid for expropriated British property. Details of this and other matters of common concern are to be discussed between officials at a mutually convenient date.'

The Minister of State described relations with Uganda as having 'been at a very low ebb. If they are to improve, some time will be needed. We shall have to see how far we can go. But we will make a genuine effort to work towards a more normal relationship.'

Mr Ennals also expressed on the Foreign and Commonwealth Secretary's behalf his gratitude to President Mobutu and to the Zaïrean State Commissioner for Foreign Affairs, Citoyen Bula, for their assistance. Mr Callaghan's visit to Uganda was consequent on his talks in Zaïre with President Mobutu, who had been charged by President Amin with the conduct of relations between Uganda and Britain; and Citoyen Bula accompanied Mr Callaghan on his visit to Kampala.

Mr Denis Hills, the British subject released to Mr Callaghan, was sentenced on 11 June by a military tribunal to execution on charges connected with his authorship of a book, as yet unpublished, held to be critical of President Amin. (The case of a second British subject facing sentence by a military tribunal, Mr Stanley Smolen, was resolved on 19 June when his acquittal on charges of hoarding goods was announced on Uganda radio.) Several weeks of diplomatic activity followed Mr Hills's sentence, in which British and international efforts were made to secure his release. Various conditions for the release were made by President Amin, to be fulfilled by the British Government, and the date of execution was twice postponed while their fulfilment was awaited. Stating the Government's policy in the light of these conditions, in particular President Amin's demand that the Foreign and Commonwealth Secretary should go to Uganda, Mr Callaghan, in a parliamentary statement of 23 June (*Hansard*, cols 163-8), said: 'I am ready to go to Kampala to discuss all outstanding problems, but I am not prepared to go under duress. I have made no other condition and I give no other undertaking'. Mr Callaghan's visit of 9 and 10 July followed President Amin's decision on 1 July to reprieve Mr Hills, and to leave the conduct of the matter to President Mobutu, who had been instrumental in securing the reprieve. Mr Callaghan then visited Zaïre at President Mobutu's invitation.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Attack on Inflation

DEBATE ON THE WHITE PAPER

The debate on the White Paper *The Attack on Inflation* (see pp 269-72) took place in the House of Commons on 21 and 22 July. Additional points mentioned in the debate and not covered in the main account of the White Paper are described below.

Mr Healey's Speech

The Pay Limit

Opening the debate (*Hansard*, 21.7.75, cols 46-182, and 22.7.75, cols 183-216, 301-440), the Chancellor of the Exchequer, Mr Denis Healey, referred to the statement he made on 1 July (see p 269) and affirmed that the Government had agreed with the Trades Union Congress (TUC) that the cash limit on pay increases of £6 a week would be applied as a straightforward supplement to earnings up to a cut-off point with a lower *pro-rata* limit for part-time workers and juveniles; it would not be carried through to overtime or premium payments for shift work and there would be no special cases. The only exceptions adding to the pay bill were the increase necessary to enable women to obtain equal pay by the end of 1975 (see *Equal Pay for Women*, COI, SN 5880) and prior commitments to staged increases which exceeded £6 a week. The Government was asking Parliament in the Remuneration, Charges and Grants Bill (see p 319) to relieve employers of contractual obligations which would compel them to increase pay above these limits.

The Confederation of British Industry (CBI), representing employers, while agreeing with the Government on the objectives of the policy and the need for a limit equivalent to 10 per cent on pay, and having undertaken to give the strongest support to the Government's efforts to control inflation, had nevertheless expressed a preference for a percentage pay limit to a flat rate.

Mr Healey said that a percentage limit would have benefited most those earning between £4,000 and £6,000 a year – well above average earnings – and would have given steadily smaller benefits to rich and poor alike as earnings moved in either direction away from this central band. In order to achieve so rapid and drastic a reduction in the rate of inflation as was proposed in a single year it was essential to use a formula which was dramatic and easily monitored. While not denying that the resulting compression of differentials would make it more difficult to pass to more flexible and sophisticated guidelines after the current wage round, he hoped discussions would begin in good time about the handling of wage negotiations once the next pay round had been completed. The Department of Employment had set up a special inquiry unit immediately after the publication of the White Paper to give advice on the application of the pay guidelines.

Pensions

On pensions, Mr Healey said that existing pension obligations should be met by public and private enterprises even where they exceeded the £6 limit.

Notification of Settlements

Regarding notification of settlements, he said that the Government believed that compulsory notification was not necessary. In the absence of agreed monitoring arrangements between the TUC and the CBI, the Government was satisfied that it would have sufficient information to monitor the policy through the information flowing both directly to the Department of Employment and also through the requirement for firms to notify details of recent pay settlements in applying for price increases to the Price Commission.

Reserve Powers

In response to Opposition criticisms that the proposed reserve powers to enforce the pay limit would be applied against employers only, Mr Healey emphasised that all recent history had shown that attempts to apply criminal sanctions against trade unionists on such issues could result only in discrediting the law. Thus, unlike earlier legislation, the reserve powers would not provide for criminal sanctions on workpeople in order to enforce the pay limit but, like earlier legislation, there would be provision to prevent the prosecution of workpeople for criminal conspiracy. The Remuneration, Charges and Grants Bill would also provide for compulsory notification of all wage settlements and, once passed, would enable the Government by an Order in Council, to reduce to the level indicated in the White Paper any settlements made after 1 August 1975.

Cash Limits

On cash limits, Mr Healey said that subject to adjustments that might be required in the course of a year to take account of unforeseen changes in invest-

ment programmes or otherwise, cash limits would be applied to public sector wage bills.

Unemployment

The Government recognised the need for action to mitigate the effect of the unemployment already generated by past inflation and a range of measures was announced in April for increasing opportunities for training and retraining, for helping people to move to new jobs and for strengthening the employment services (see p 196). Powers to enable the Government to introduce the temporary employment subsidy were now part of the Employment Protection Bill (see p 212) which would be brought in as soon as possible (see p 320).

Concluding his speech, Mr Healey said that he did not claim that the new policy would not produce anomalies and distortions which any incomes policy was certain to do, but that he did believe that it had a better chance of success than any incomes policy since the voluntary policy introduced just after the second world war because, like that policy, it had overwhelming support from the British people and not only support but also deep and detailed understanding from the trade union movement.

Mr Foot's Speech

Closing the debate, the Secretary of State for Employment, Mr Michael Foot, expressed the hope that the proposed reserve powers would never have to be introduced and said that much the best course was to proceed upon the basis of the voluntary agreement the Government had reached with the TUC which was the only way in which any policy could be satisfactorily secured. Governments which tried to go to war with the trade union movement would not solve the problem of inflation or any other problem, such as the kindred interwoven one of unemployment.

Opposition Views

The Leader of the Opposition, Mrs Margaret Thatcher, said her party would abstain from voting on the White Paper in the absence of a more wholehearted attack on inflation which, she said, demanded the simultaneous operation in the same direction of all economic policies, such as those, for example, concerning the money supply, public expenditure, fiscal policy and incomes policy, so that their effects reinforced one another.

Mr Edward Heath, former Prime Minister, said he believed it was essential that the Government should now pursue the incomes policy set out in the White Paper.

Mr Jeremy Thorpe, leader of the Liberal Party, said his party would be voting in favour of the White Paper but believed that stronger powers might be required.

The White Paper was also criticised by certain members of the Labour Party on the grounds, *inter alia*, that it ran counter to the principles of an entirely voluntary incomes policy.

The White Paper was approved by 262 votes to 54, 34 of the latter being Labour.

REMUNERATION, CHARGES AND GRANTS BILL

Debate on the Second Reading

The Remuneration, Charges and Grants Bill (see p 318) received its second reading in the House of Commons on 23 July (*Hansard*, cols 574-700). Opening the debate, the Chancellor of the Exchequer, Mr Denis Healey, said that the purpose of the Bill was to support the voluntary policy for incomes (see p 318) approved by the House on 22 July. The Bill removed legal obstacles to the effective operation of the voluntary policy and ensured that the Government had at its disposal effective means of discouraging employers and their workpeople, in both the public and private sectors, from breaking the pay limit. It did not impose legal controls on pay as such but rather ensured that the Government, workpeople and their employers would have the best possible chance of making sure that the voluntary policy worked.

The first clause relieved employers of contractual obligations to give remuneration in excess of the pay limit, while the third clause provided for an amendment of the Price Code which would ensure that applications for price increases were supported by relevant information on recent pay settlements and thus provided a sanction whereby the whole amount of any pay settlement which broke the pay limit – and not merely the excess over that limit – could be disallowed for price increases.[1] The fourth clause provided for a comparable sanction in the case of local authorities by giving the Secretary of State for the Environment power to withhold the rate support grant from individual authorities which made pay settlements outside the limit. No such sanctions were required in the case of Government departments where the Government would make certain that Civil Service pay was negotiated within the limit, while in the case of the nationalised industries there was no need for additional formal powers over and above those deriving from the Government's role as principal provider of funds for investment and other purposes and those available through the Price Code.

No changes would be possible under the Bill in the definition of the pay limit for the purposes of the sanctions or of relieving employers of contractual obligations, without the express consent of both Houses of Parliament.

The second clause of the Bill set time limits to the operation of the provisions contained in the first clause and enabled them to be terminated and reactivated within those limits; it also allowed

[1] On 21 July the Secretary of State for Prices and Consumer Protection, Mrs Shirley Williams, issued a consultative document giving details of the Government's proposals to amend the Price Code in the light of the White Paper (see pp 271-2). The document proposes that the disallowance should apply even if the employer is covered by one of the low profit safeguards (see p 474, 1974) in the code and that similar arrangements should be applied to nationalised industry prices. The Price Commission would seek the advice of the Department of Employment on conformity with the pay limit of wage settlements relevant to applications for price increases.

The Orders amending the code were published as the Counter-Inflation (Price Code) (Amendment) (No 2) Order 1975 (HMSO 11p, ISBN 0 11 051293 6), the Counter-Inflation (Notification of Increases in Prices and Charges) (Amendment) Order 1975 (HMSO 11p, ISBN 0 11 051294 4) and the Counter-Inflation (Prices and Charges) (Information) (No 2) Order 1975 (HMSO 11p, ISBN 0 11 051295 2) on 7 August and came into effect on 8 August, 1975.

certain provisions of Part II of the Counter-Inflation Act 1973 (see p 170, 1973) to be extended or, if necessary, reactivated, during any period during which the first clause was in force – the purpose being to provide for the continuation of the relevant powers of control over prices, dividends and insurance premiums beyond 31 March 1976, when they would otherwise lapse.

The fifth clause amended the Housing Rents and Subsidies Act 1975 (see p 494, 1974) so that the special element of housing subsidy could be paid for 1976-77 as well as for 1975-76. This would be a special subsidy, payable for one year only, to meet the particular needs of the Government's policy to fight inflation, and would not be payable after 1976-77. The sixth clause applied to Scotland only and provided for the payment of a new subsidy (the rent limitation subsidy) to local authorities for the year 1976-77, which would reproduce on rents in Scotland the effect of the extension of the special element subsidy in England and Wales. The remaining clauses provided for an appropriately all-embracing definition of 'remuneration' and for expenditure incurred under the Bill and other Acts as a result of the Bill to be met from Parliamentary Votes.

Mr Healey said that, if it proved necessary to introduce reserve powers, they would not be retrospective, either in respect of employers, imposing penalties for having made excessive settlements before the Bill was enacted, or in respect of employees, requiring them to pay back money they had already received under an excessive settlement made before the date of a restriction order or notice.

In conclusion, the Secretary of State for Employment, Mr Michael Foot, clarified certain points that had arisen during the debate. The policy would apply to all settlements implemented on or after 1 August, while anyone who was due to reach a settlement with an annual operative date before 1 August should do so on the basis of the existing TUC guidelines (see p 271, 1974). The 12-month interval between major pay increases should continue to apply.

The limited transitional arrangements referred to in the White Paper (see p 271) permitted the implementation in full of wages council proposals agreed before 11 July and of arbitration awards where the formal reference was made before 11 July. In addition, the Government thought it right that those who were expecting to implement settlements with anniversary dates between 1 August and 1 September should have the chance to do so if they had reached agreements before 11 July; this provision was made to avoid disrupting arrangements for implementation which were already in train, and to ease the transition.

In response to Opposition questions about forward commitments, Mr Foot said that settlements already made for pay increases in the 12 months after 1 August fell into two categories – first, the normal annual settlement which had been fixed, for whatever reason, well in advance; and secondly, current agreements of which the first payment was made before 11 July but where there were commitments to further payments on or after 1 August. Settlements in the first category would have to comply with the £6 limit and be renegotiated if necessary to bring them into line – the only exception being settlements with anniversary dates between 1 August and 1 September 1975 which were agreed before 11 July and which were therefore allowed to stand under the transitional arrangements. In the case of current agreements where a settlement had been made in the present round and the first payment was made before 11 July, forward commitments in the form of staggered payments, thresholds or indexation could be paid in full, while any commitments of this kind payable on or after 1 August would be set against the £6 limit and only the balance, if any, could be paid at the time of the annual settlement in the coming round. No payments of forward commitments could be made to those earning £8,500 or more a year.

Incremental and wage-for-age payments which were made according to a well-defined range or scale already in operation before 11 July could continue at the same level as in preceeding years for those earning less than £8,500 a year on condition that, together with that annual pay increase, the payments under such a scheme did not raise the pay bill for the group concerned by more than £6 a head. Merit payments would have to be kept within the £6 limit for the individual. As far as productivity and payment-by-results schemes were concerned, existing schemes established before 11 July could continue unchanged but payments under any new scheme or under improvements to existing schemes, together with the annual settlement, would have to be kept within the limit.

On the subject of pensions, Mr Foot said that the arrangements for payments to pensioners under existing schemes could continue unchanged and were not affected by the pay limit. It would also be open to those concerned to decide, if they wished, to continue to calculate pension entitlements on the basis of the rate of pay to which the employer was committed before 11 July, even though that commitment might be limited by the new policy. Improvements in occupational pension schemes would in general have to be subject to the £6 limit, though such improvements could take place separately from that limit where the employer had agreed to them before 1 July or where the parties concerned could show that they had been negotiating during the three months before that date on specific proposals for a new or improved scheme to come into force within the 12 months from 1 August next.

TEMPORARY EMPLOYMENT SUBSIDY

In a statement in the House of Commons during the report stage of the Employment Protection Bill (see p 212) on 5 August (*Hansard*, 6.8.75, cols 385-8) the Secretary of State for Employment, Mr Michael Foot, said that the temporary employment subsidy scheme, foreshadowed both in the White Paper (see p 270) and in the April Budget (see p 196) to provide help in assisted areas (see pp 389-91, 1974) against the effects of high unemployment, would start on 18 August.

Under the scheme a short-term subsidy would be available in assisted areas to firms in industry and commerce that were prepared to defer planned redundancies affecting 50 or more workers. The subsidy for each full-time job maintained would be

£10 a week payable for three months with the possibility of a further three months' extension.

The scheme, which was a temporary measure to deal with exceptional circumstances, was voluntary and intended to last for one year. Whereas by the end of the subsidy period it was hoped that the company's business would have recovered sufficiently to keep the workers concerned in employment, in other cases the period might be used to facilitate the redeployment of the workers, for example through retraining, into other jobs within the company or elsewhere.

Industrial Democracy

The Government was committed to carrying through as soon as possible a programme for the radical extension of industrial democracy in both the private and public sectors of industry, said the Secretary of State for Trade, Mr Peter Shore, in a statement in the House of Commons on 5 August (*Hansard*, cols 245-6). The first steps had been taken by the Secretaries of State for Employment and Industry with the Employment Protection Bill (see p 212) and the Industry Bill (see p 104) which contained provisions allowing for greater disclosure of information and for the workforce to be more closely involved in future planning; meanwhile developments in industrial democracy, particularly below board level, were now taking place and more were planned.

Committee of Inquiry

In order to formulate measures which would enable those employed to participate in major decisions affecting the future of their companies through representation at board level, involving not only a major change in company law but also a fundamental change in the way industry was managed, and because the issues were both complex and, in Britain, relatively unexplored, Mr Shore had decided to appoint an independent committee of inquiry to advise on questions relating to representation at board level in the private sector. The committee's terms of reference would include consideration of how such an extension could best be achieved, accepting the essential role of trade union organisations in this process and taking into account in particular the proposals of the Trades Union Congress report on industrial democracy[1] as well as experience in Britain, the European Economic Community and other countries; and – having regard to the interests of the national economy, employees, investors and consumers – analysis of the implications of such representation for the efficient management of companies and for company law. The names of the chairman and members would be announced very shortly and the committee would be asked to present its report to the Government within 12 months so that legislation could be placed before Parliament during the 1976-77 session. Mr Shore expressed the hope that interested parties would begin to prepare their evidence right away and that all who were able to make a contribution, including those who were already practising forms of industrial democracy, would assist in the vital work of this committee.

Mr Shore said that in parallel with the work of the committee the Government also intended to take a radical look at the role of employees in relation to decision-making within nationalised industries and that a study had been set in hand. Meanwhile it hoped that experiments in developing new forms of industrial democracy and democratic self-management within the existing framework of the law would continue; and that the establishment of the committee of inquiry would in no way prevent the work now in progress from continuing to develop.

[1] *Industrial Democracy. Report by the TUC General Council to the 1974 Trades Union Congress.* TUC, Congress House, Great Russell Street, London, WC1B 3LS. 25p.

Distribution of Income and Wealth

The Royal Commission on the Distribution of Income and Wealth (see pp 320 and 362, 1974) has published its first two reports, on the distribution of income and wealth (Report No 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO £3·10, ISBN 0 10 161710 0) and on income from companies (Report No 2, *Income from Companies and its Distribution*, Cmnd 6172, HMSO £2·45, ISBN 0 10 161720 8).

The first report shows that the tax system and the receipt of transfer payments and direct and indirect benefits in kind combined have a major redistributive effect on income. The most marked change in the distribution of income noted by the commission is the drop in the share of the top 1 per cent of income-earning units between 1938-39 and 1972-73 to about one-third of the 1938-39 level. The commission also shows that the share of wealth owned by the richest 1 per cent of the population has fallen substantially. The commission's second report shows that between 1963 and 1973 individual shareholding, as a proportion of total shareholding, fell from 59 per cent to 42 per cent, while the holdings by pension funds and insurance companies increased from about 18 per cent to 28 per cent.

REPORT No 1

The commission notes that no single definition of income or wealth could be adequate for all purposes. It believes that, for the purpose of describing separately, and at different points of time, the spread of income and the spread of wealth, it is appropriate to define income in a way which distinguishes it clearly from wealth and to deal with changes in capital values under the heading of wealth.

Distribution of Income

The report states that the tables given in the annual publication *National Income and Expenditure* (the Blue Book) are the most valuable source of information on the distribution of pre- and post-tax incomes.

The Blue Book's table for 1972-73 (see table 1), shows that:

the top half of income recipients, whose income ranged from £1,338 upwards, received just over three-quarters of total income before tax, while the bottom half received just under a quarter;
the top 10 per cent and the bottom half each received about one-quarter of total income before tax;
the share of the top 10 per cent was 26·9 per cent before tax and 23·6 per cent after tax, while the figures for the bottom 20 per cent were 5·8 per cent before tax and 6·8 per cent after tax.

The trends in the Blue Book series show that:

in general, changes in the distribution of income since 1959 have not been very pronounced but there has been a continuing decline in the share of the top 5 per cent from about 20 per cent of income before tax in 1959 to 17 per cent in 1972-73, accounted for largely by the drop in the share of the top 1 per cent from about 8 per cent in 1959 to 6 per cent in 1972-73;
the share of the bottom 20 per cent increased between 1959 and 1972-73 from 5·3 to 5·8 per cent;
the extent to which income tax has affected the distribution has not changed substantially – in 1959 the share of the top 10 per cent was 29·4 per cent before tax and 25·2 per cent after tax while in 1972-73 the corresponding proportions were 26·9 per cent and 23·6 per cent.

The results of the Central Statistical Office's work on the incidence of taxes and social security benefits show that the progressive effect of direct taxation on the degree of inequality is largely offset by the regressive effect of indirect taxation. However, the combined effect of the tax system, the receipt of transfer payments and direct and indirect benefits in kind is a major redistributive one.

Distribution of Wealth

Adjusting estate multiplier estimates[1] published by the Inland Revenue, the commission concludes that personal wealth in Great Britain in 1972 was valued at £173,900 million, as against the Inland Revenue estimate of £138,400 million.[2] The commission calculates that, on average, persons not covered by the Inland Revenue figures, who number more than 20 million, possessed assets just under £700 per head. The adjusted figures show that in 1972 28·1 per cent of personal wealth was owned by the top 1 per cent of the adult population, 53·9 per cent by the top 5 per cent, 67·3 per cent by the top 10 per cent and 82·4 per cent by the top 20 per cent. However, the estate multiplier estimates do not allow for the value of accrued pension rights. While pension rights differ in certain important respects from the more conventional forms of wealth, the commission believes there is value in assessing the sums involved and the effects of their inclusion in the distribution of wealth. The effect of including occupational pension rights in the distribution of wealth does not appear to be very pronounced but the data required for precise measurement are not currently available. The inclusion of state pension rights has a much more marked impact. In particular, the share of wealth, including state and occupational pension rights, of the bottom 80 per cent of the adult population, is more than doubled, conversely the share of the top 1 per cent falls by a third and that of the top 5 per cent by nearly a third.

Estimates of the distribution of wealth covering the 50 years up to 1960 show a substantial fall in the share of wealth owned by the richest 1 per cent of the population from 69 per cent in 1911-13 to 42 per cent in 1960. The shares of all other groups increased. Inland Revenue figures available from 1960 onwards suggest that these trends have broadly continued since 1960 (see table 2), except that the share of the top 5 per cent has also fallen.

The commission found that up to 1960 there was a trend towards a more equal division of total wealth between men and women in the aggregate but since 1960 this trend appears to have been reversed, possibly as a result of demographic changes.

It also found that there had been significant changes over time in the asset composition of wealth; for example, the proportion of personal wealth held in the form of physical assets rose from less than one-third in 1960 to nearly one-half in 1973, reflecting in particular the increasing importance of dwellings. There has been a marked decline in the relative importance of company securities.

The commission emphasises that in interpreting statistics on the distribution of wealth it is important to recognise that the distribution, as normally measured, covers the wealth holdings of all individuals alive at a particular date, irrespective of age. If holdings of wealth vary in some systematic way with age, as suggested by the life-cycle theory,[1] then a degree of inequality may be expected simply on account of the particular age structure of the population. The report finds that empirical tests lend only partial support to the life-cycle theory; in particular, the theory does not provide a good explanation of the shares of the very top wealth groups in the population. The commission believes that the role of inheritance in influencing the distribution of wealth at the top end of the scale is substantial. Also, the life-cycle theory needs to be modified to allow for the effects of uncertainty, especially in so far as this leads to the retention, rather than to the running down, of wealth in old age.

REPORT No 2

The commission's work on income from companies and its distribution was aimed at assembling some of the factual information for a comprehensive

[1] The estate multiplier method uses estates of persons who die during a year as a sample of wealth of the living.
The commission finds that there is a serious shortage of reliable statistical information on the distribution of wealth and that the estimates derived from estate duty data are the best available.

[2] The unadjusted Inland Revenue estimate of personal wealth in 1973 is £163,900 million, distributed among about 19.1 million wealth holders. It is assumed that members of the adult population not covered by Inland Revenue estimates hold no wealth. On this basis all individuals in the richest 1 per cent of the adult population possess wealth worth at least £44,000. The minimum holding in the top 5 per cent, top 10 per cent and top 20 per cent is £15,900, £10,600 and £5,500 respectively.

[1] The hypothesis that wealth varies in a fairly systematic way with age is generally referred to as the life-cycle theory, the underlying assumption being that individuals plan their savings so as to spread consumption in some desired way over their life-times.

Table 1

Distribution of Personal Income

Percentage shares of income, before and after income tax, received by given quantile groups: 1949 to 1972–73

United Kingdom — *Income unit: tax unit*

Quantile group	Before income tax						After income tax					
	1949	1959	1964	1967	1972/73	*Income range 1972/73 (lower limit)*	1949	1959	1964	1967	1972/73	*Income range 1972/73 (lower limit)*
	%	%	%	%	%	£ p.a.	%	%	%	%	%	£ p.a.
Top 1 per cent	11·2	8·4	8·2	7·4	6·4	6,236	6·4	5·3	5·3	4·9	4·4	4,462
2–5 „ „	12·6	11·5	11·3	11·0	10·8	3,512	11·3	10·5	10·7	9·9	9·8	2 853
6–10 „ „	9·4	9·5	9·6	9·6	9·7	2,857	9·4	9·4	9·9	9·5	9·4	2,398
Top 10 per cent	33·2	29·4	29·1	28·0	26·9	2,857	27·1	25·2	25·9	24·3	23·6	2,398
11–20 „ „	14·1	15·1	15·5	15·2	15·8	2,289	14·5	15·7	16·1	15·2	15·8	1,988
21–30 „ „	11·2	12·6	12·6	12·6	13·1	1,937	11·9	12·9	12·9	13·0	13·2	1,679
31–40 „ „	9·6	10·7	10·9	11·1	11·0	1,626	10·5	11·2	11·1	11·0	11·2	1,421
41–50 „ „	8·2	9·1	9·2	9·1	9·2	1,338	9·5	9·9	8·8	9·7	9·5	1,187
51–60 „ „	23·7	7·5	7·4	7·7	7·5	1,065	26·5	7·2	8·0	7·7	8·0	978
61–70 „ „		5·9	5·8	6·0	5·9	837		6·6	5·6	7·1	6·5	801
71–80 „ „		4·4	4·3	4·8	4·8	644		5·2	5·1	4·9	5·5	637
81–90 „ „		5·3	5·2	3·4	5·8	—		6·0	6·5	7·1	6·8	—
91–100 „ „				2·2		—						—

Source: pre 1972/73 figures derived from *National Income and Expenditure;* 1972/73 figures derived from provisional CSO income distribution table.

Note. In some years the income share of the lower quantile groups cannot be estimated with any degree of confidence as the published range tables have too few income ranges at the lower end of the distribution to permit successful interpolation.

Table 2

Distribution of Personal Wealth Since 1960

Percentage shares of estimated personal wealth of given quantile groups both of the population covered by the Inland Revenue estimates and of the total population aged 18 and over, 1960 to 1973

Great Britain

Quantile group	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Population covered by Inland Revenue estimates	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Top 1 per cent	28·4	28·4	27·2	26·7	25·9	24·4	23·6	23·0	24·2	21·4	20·7	20·4	22·1	21·8
Top 5 „ „	50·9	50·6	48·8	50·0	48·5	46·4	43·7	43·6	45·2	41·3	40·9	40·1	41·8	38·8
Top 10 „ „	63·1	62·5	60·7	62·2	60·5	58·6	56·0	55·6	57·1	52·7	51·9	51·6	53·9	50·9
Top 20 „ „	76·2	75·1	73·9	75·8	74·1	73·3	70·8	70·1	71·2	67·4	66·4	66·3	68·5	66·6
Bottom 80 „ „	23·8	24·9	26·1	24·2	25·9	26·7	29·2	29·9	28·8	32·6	33·6	33·7	31·5	33·4
Total population aged 18 and over[1]	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Top 1 per cent	38·2	37·1	36·0	35·7	34·4	33·0	31·8	32·1	32·7	29·0	29·0	27·6	29·9	27·6
Top 5 „ „	64·3	62·9	60·7	62·2	59·3	58·5	56·7	57·2	59·0	54·0	56·3	52·1	56·3	51·3
Top 10 „ „	76·7	75·6	74·0	75·4	73·5	73·3	71·8	72·3	73·8	69·4	70·1	67·4	71·9	67·2
Top 20 „ „	89·8	89·0	88·4	89·2	88·4	88·8	87·8	88·8	89·4	86·8	89·0	85·7	89·2	86·4
Bottom 80 „ „	10·2	11·0	11·6	10·8	11·6	11·2	12·2	11·2	10·6	13·2	11·0	14·3	10·8	13·6

Source: Inland Revenue

[1]Assuming that persons not covered by the Inland Revenue estimates have no wealth.

Table 3

The Pattern of Ownership of Quoted Ordinary Shares 1963 and 1969-73

Percentage (year end)

Category of ownership	1963	1969	1970	1971	1972	1973
Persons, executors and trustees resident in UK	58·7	47·0	45·0	44·0	43·0	42·0
Charities and other non-profit-making bodies	2·6	3·6	3·8	4·0	4·2	4·4
Insurance companies						
long-term funds	10·6	12·4	13·0	13·7	13·8	14·2
general funds		1·4	1·4	1·6	1·7	2·0
Pension funds	7·0	9·4	10·4	11·0	11·3	12·2
Investment trust companies	6·7	7·0	6·9	7·0	6·9	6·5
Unit trusts	1·2	2·9	2·9	3·2	3·1	3·4
Banks and other financial institutions	2·3	3·6	3·7	3·5	3·7	3·3
Non-financial companies	4·8	4·6	4·7	4·6	4·7	4·3
Public sector	1·6	2·5	2·4	1·8	1·9	2·5
Overseas	4·4	5·6	5·8	5·6	5·7	5·2
Total	100	100	100	100	100	100
Total market value of issued ordinary shares (£ million)	27,500	38,010	35,670	50,920	60,070	40,520

Table compiled from various sources, see *Report No. 2*, Table 10.

review of the existing control of dividends (see p 269) which the Chancellor of the Exchequer intends to carry out this year.

Ownership of Equity Capital

The commission finds that between 1963 and 1973 individual shareholdings, as a proportion of the total shareholding, fell, while the holdings by pension funds and insurance companies increased (see table 3). The report also indicates that indirect investment in ordinary shares has increasingly taken the place of direct investment. These findings, however, relate to quoted companies only. The main financial institutions do not have any very significant holdings of shares in unquoted companies and, for the most part, the shares of these companies are held either by other companies or by persons. The pattern of distribution of income from shares follows broadly the pattern of ownership and the same trends are evident.

Final Distribution of Dividends to Individuals

Three main groups of individuals who benefit, directly or indirectly, from dividends were identified by the commission:

(a) 2·1 million taxpayers who receive dividends directly on personal holdings of stocks and shares;
(b) up to 11 million members of occupational pension schemes and 2·25 million taxpayers receiving occupational pensions;
(c) 14 million taxpayers who save through life insurance.

It is not possible to combine the statistics of direct and indirect receipts of dividends in order to produce a single tabulation of the final distribution of dividends to individuals. About one-half of dividends paid by quoted companies go to category (a) and more than one-third to categories (b) and (c) combined. Individual shareholders in category (a) receive in addition the bulk of the dividends paid by unquoted companies, other than those which are paid to other companies; therefore this category probably receives more than half of all dividend payments. Dividends paid to the contractual savings institutions in categories (b) and (c) are nevertheless important because of the wide spread of beneficiaries.

The 2·1 million stock- and shareholders accounted, in 1972-73, for about 9 per cent of all taxpayers included in Inland Revenue statistics (probably about 8 per cent of all incomes). In that year about 1 million taxpayers with total incomes below £2,000 received small amounts of dividends and taxed interest averaging £227. At the other extreme, about 11,000 taxpayers, with total incomes above £20,000, received an average gross amount per head of £11,884 in dividends and taxed interest. These figures are before tax. Persons in receipt of a National Insurance retirement or widow's pension received 45·9 per cent of all dividends and taxed interest in 1972-73. Taxation was found by the commission to have a significant levelling effect, bringing the average gross receipts of £11,884 of the taxpayers in the top income tax bracket down by about 80 per cent, while leaving receipts in the lowest income category unchanged.

Growth of Dividends

Over the period 1963-74 annual changes in quoted company[1] dividend payments fluctuated from year to year, but the growth of dividends averaged 8·3 per

[1] Data are not available for unquoted companies.

cent a year or 6·1 per cent at a compound rate. The commission estimates that, adjusted for changes in the capital base, the growth over the period was an average of 7·5 per cent a year or 5·6 per cent compound. Over the 11-year period 1963-73 aggregate dividends received by persons declined in real terms by about 20 per cent, while other forms of income increased by varying amounts ranging from 25 per cent in the case of other investment income to 85 per cent in the case of occupational pensions. The decline in personal receipts of dividends in real terms is partly associated with the trend towards a lower level of personal holding of quoted shares.

There are no reliable figures of total capital gains on an annual basis and therefore there is no way of setting out the total return to shareholders on equity investment, that is, the total of dividends and capital gains or losses. However, the commission did investigate the total rate of return on equities adjusted for inflation over the period 1948-74, taking into account capital gains or losses. The proportion of the return contributed by capital gains was not significant. The results derived from this exercise, the commission emphasises, are critically dependent on the period chosen.

Company Financing and the Role of Dividends

The distinctive role of equity capital arises from the characteristic that there is no contractual return on it. The amount of equity capital can be increased either by retaining profits within the business rather than paying them out in the form of dividends, or by raising capital from the market through new share issues. Over the 1950-72 period studied by the commission, internal funds accounted on average for 76 per cent of the total funds raised, about 40 per cent being retained profits and 36 per cent provisions for depreciation. Equity capital raised for cash accounted for 6·5 per cent of total funds during the period 1950-72, this figure falling from an average of 10·4 per cent in 1950-61 to 4·6 per cent over the period 1962-72.

Although the level of share issues has been small, the commission found that the total amount of equity capital, provided each year from retentions and proceeds of share issues combined, has been the major source of funds of industrial and commercial companies. In addition, equity capital provides the base for the raising of other forms of finance. The relative size of this base declined between 1950 and 1970, although gearing[1] appears to have fallen slightly in 1971 and 1972. Evidence from finance institutions suggested that a view had developed among borrowers and lenders that gearing was now too high. This gives rise to the expectation that the level of equity issues will be higher in the immediate future than in the recent past, an expectation supported by the number of such issues in 1975.

The commission accepts the view that capital values are based on expected future returns from shares which are, in part at least, related to future dividends. The prospect of increased future dividends therefore will increase the share price and thus facilitate equity issues. It has been shown, the report continues, that the levels of share prices and new equity issues have been positively related for most of the recent past. The commission believes that different dividend yields between companies enable the returns to equity to reflect the differential risks involved in different industries and companies. External constraints which distort the dividend policies of company management may hamper the allocative process. There may, however, be reasons of public policy for wishing to channel capital into particular industries.

[1] Gearing is the relationship between the amount of fixed interest capital and the capital with variable remuneration—the greater the proportion of fixed interest capital, the higher the gearing.

Trade with the Arab World

Economic partnership between Britain and the Arab world was discussed by the Prime Minister, Mr Harold Wilson, and the Secretary of State for Trade, Mr Peter Shore, at a seminar in London organised by the Committee for Middle East Trade of the British Overseas Trade Board (BOTB) on 14 July.

The seminar was attended by His Excellency Abdul Rahman Salim Al Atiqi, the Kuwaiti Minister of Finance, His Excellency Ahmed Ismail, the Egyptian Minister of Finance, and Dr Ali Ahmed Attiga, secretary-general of the Organisation of Arab Petroleum Exporting Countries. The seminar examined present trends in British-Middle East Trade, including the increasing Government involvement, the economic outlook in the Middle East and the development plans of the oil-producing countries there.

PRIME MINISTER'S SPEECH

'Conditions have never been better for greater economic interdependence between Britain and the Arab world', said Mr Wilson. More and more people were realising how valuable and advantageous to both sides further collaboration would be. The Government fully supported movement towards greater co-operation and was willing to play a central role in helping to bring this about.

The Prime Minister welcomed the fact that the interdependence of Europe and the Middle East was being recognised through the Euro-Arab dialogue. Speaking of the reasons for the economic partnership, he said: 'We have the technology and expertise which our partners need for their ambitious development plans.' The Arab markets presented European firms – and in particular British firms – with enormous trading opportunities and scope for further expansion. Britain, with its close historical links with the Middle East, had a prominent part to play and, of all the Europeans, was well placed to take the lead in trading with the Middle East. There were good prospects as well as compelling reasons for seizing the opportunities for greater economic interdependence between Britain and the Middle East. 'A long history of association and friendship links Britain with much of the Arab world', said Mr Wilson, 'We have already made a considerable contribution to its progress.'

The pace of change and development in the Arab world over the past few years had, he continued, been remarkable. With its unique historical and cultural heritage, it now had the material resources to transform potential into reality. If Britain and the Arab countries were to make the maximum of their respective resources they all had to learn the lessons of interdependence. They should build on the foundations which existed.

Proof of the strong links forged already could be seen in the trade figures. Speaking first of Britain's overall trade figures, Mr Wilson pointed out that in the first five months of 1975 Britain had not only eliminated the deficit of its non-oil trade but had been in small surplus. In the current account in goods and services, including oil, the monthly current account deficit in the first five months of 1975 had been just over £80 million – a quarter of the deficit of a year earlier. When oil prices had risen all the signs had been that Britain's payments deficit, already very heavy before the increase in oil prices, would rise to three or four or even five thousand million pounds a year. In recent months it had been running, so far in 1975, at an annual rate of less than £1,000 million. The improvement in Britain's trade balance with Arab countries had been even more striking.

In the first five months of 1975 the value of Britain's exports to the Arab world had been twice as big as in the same period of 1974. These countries now took about 7 per cent of Britain's total exports – compared with just over 4 per cent a year earlier; nearly a tenth of Britain's imports now came from them. So far in 1975, the visible trade gap between imports from and exports to the Arab world stood at less than £400 million, compared with over £1,000 million in the same period a year earlier. British exports were now paying for three-fifths of imports compared with one-fifth in 1974. Compared with 1974 exports to Oman and Abu Dhabi had more than trebled in the first five months of 1975, while sales to Iraq and Dubai had nearly trebled, to Kuwait more than doubled, and they had been more than 70 per cent higher to Egypt. They had also increased by over 60 per cent to Saudi Arabia, which was now Britain's biggest Arab market.

Inflation

Mr Wilson said that the measures set out in the White Paper *The Attack on Inflation* (see p 269) showed the total will and determination of the Government to grapple with the problem of inflation. The measures went further than any announced by any government in Britain since the war. They went far beyond any measures undertaken by the Churchill government when Britain had been facing the extremity of war. Equally the response of the British people showed their determination that these measures had and would have to succeed. The commitment entered into by Britain's trade union movement (see p 272) went far beyond anything they had previously done, whether in peacetime or even under the stress of war. 'I want those who trade with us,' said the Prime Minister, 'those who want to go on trading with us, those who want to expand their trade with us, those who want to invest here and invest in a fruitful future relationship – I want them to go away from here recognising this determination.'

In a time of declining world trade Britain's export volume had held up better than that of its competitors, and the country had increased its share of world trade for the first time in recent history. Mr Wilson concluded by stressing that exports were, more than ever, of vital importance to Britain's economy.

MR SHORE'S SPEECH

A series of interlocking partnerships were being developed between Britain and the Arab world, said Mr Shore in his speech. He described these partnerships as between the British Government and Arab Governments, between the British Government and companies in Britain, and between British companies and Arab Governments and customers in the Arab world.

Mr Shore said that this new interdependence rested on the firm basis of the mutual interests and respect of both sides and was destined to become still more important to both Britain and the Arab world in the years ahead. There was no question but that Britain was seeing a major shift in the pattern of the world's economic development towards the oil-exporting countries.

Scale of the Challenge

The great difference between the Arab countries' increasing oil revenues and their spending on imports from member countries of the OECD suggested the immensely strong financial basis that they had for their forward planning; all of them had massive development programmes in hand and had set their sights firmly on a rapid and thorough-going economic transformation. The thirst for economic development was not confined to the oil-exporting states; other countries were benefiting from oil through funds such as the Kuwait Fund, the Saudi Development Fund, the Abu Dhabi Fund and also the Arab multilateral institutions.

The Role of Government

Although the Arab states varied a great deal in the structure and organisation of their economies, in all of them it was the Government that was setting the lines of development. The Arab countries actively wanted the matching interest and assistance of the British Government and saw that Government-to-Government contacts could help to maintain the thrust of their own development programmes; they understood that in this way they could get better access to the facilities, skills and products of both the public and private sectors in Britain, both of which were already active in several large Middle Eastern projects.

Mr Shore believed that it was very much in Britain's own interest to develop Government-to-Government contacts which were now vital to its whole economic and commercial relationship, both in the Arab countries and in several other areas of the world, and to this end he intended to maintain an intensive schedule of overseas visits in the future. The organisation of these intergovernmental contacts depended on the wishes of the partner countries; sometimes the best framework was a

joint commission of the kind that had proved useful with Eastern European states and Iran (see p 58) and in 1975 Britain had already negotiated agreements for such commissions with Saudi Arabia, Iraq and Egypt and was discussing possible agreements with Qatar and elsewhere (see p 336); whereas in other Arab states where for one reason or another such formal arrangements did not apply, closer contacts between ministers and officials were nevertheless of great benefit to both sides

Organisation in Government

Mr Shore explained that the new emphasis on intergovernmental relationships demanded additional resources in British overseas posts and also new machinery in London. A Middle East division in the Department of Trade was set up in 1974 and the BOTB's services for exporters were being strengthened; the Export Intelligence Service would also be disseminating news of opportunities and market information that British posts in the Arab world could provide, though many opportunities were best detected through commercial rather than Government channels. The BOTB's Overseas Project Group (see p 102) was giving special emphasis to business in the Middle East so as to be able to respond to opportunities at the earliest possible stage.

Mr Shore concluded by saying that in the past Britain had contributed, on a scale quite disproportionate to its size, to the progress of other countries and that he was sure that it could play a great part in the continuing transformation of the Arab world.

Steel Industry

BSC ANNUAL REPORT

A record profit was announced by the British Steel Corporation (BSC) in its annual report and accounts[1] for the financial year ended 29 March 1975, published on 22 July. Turnover rose from £1,775 million in 1973-74 to £2,256 million in 1974-75, and the profit before taxation amounted to £89 million, compared with £56 million in the previous year. By comparison with the BSC's statutory financial objective of an 8 per cent average return on net assets over the four years 1973-74 to 1976-77 (after depreciation but before payments due on long-term debt, taxation and other items), the result in 1974-75 represented a rate of return of 8·9 per cent. However, in view of the discouraging indications for the corporation in 1975-76, it has proposed to the Secretary of State for Industry that the dividend paid to the Government should be restricted to £7·1 million.

The corporation's cost reduction programme for the year, covering the full range of its activities, achieved savings of £15 million.

At the end of March 1975 the BSC's net assets amounted to £1,756 million and it employed 228,300 people.

[1] *British Steel Corporation.* Annual report and accounts 1974-75. BSC. HMSO, £1. ISBN 0 901894 50 8.

Sales and Production

Steel consumption in 1974-75 was 3·5 per cent lower than in 1973-74, due largely to the general economic recession. Following a price increase made in March 1974, the BSC was able to hold its price levels steady until January 1975, when it was obliged to introduce a major revision of its price structures and levels covering the majority of its products. This price increase averaged about 20 per cent. Exports for the year totalled 2·1 million tonnes of finished products, compared with 2·7 million tonnes in 1973-74. Throughout most of the year exports were constrained in the interests of home customers.

During the year the BSC experienced a considerable fall in iron output. This was due in part to reduced blast furnace availability. The shortage of iron, accompanied by other raw material shortages (particularly scrap) and industrial relations problems, reduced liquid steel production to 20·8 million tonnes compared with 23 million tonnes in 1973-74. The report states that by the last quarter of the year a number of the problems had been largely overcome and production was returning to normal.

Operational Efficiency

The improvement of operational efficiency within the BSC became more important with problems in the quality and rapidly increasing cost of raw materials, the requirements of energy conservation and the need to reduce production costs to the lowest possible level. Specific operational savings in the BSC's cost reduction programme amounted to about £10 million in the year. The report cites as an example of the action being taken the programme begun at Port Talbot, in south Wales, to increase the volume of lubricants recycled, from which, it is expected, annual savings will amount to approximately £1·5 million. The BSC incurred expenditure of some £200 million on fuel in 1974-75 and strenuous efforts were made to achieve cost savings in all uses of fuel. Particular gains in such savings were made in a number of blast furnaces and reheating furnaces.

North Sea

Increasing world energy requirements and Government action to encourage oil companies to develop Britain's offshore oil supplies provided the BSC with increased sales opportunities for a wide range of products. Demand is expected to remain high for the rest of the decade.

During 1974-75 the BSC supplied over 80 per cent of the entire requirement for oil well casing for the United Kingdom continental shelf. The corporation has decided to increase its capacity for casing production, in order to improve its share of the North Sea and other markets.

Overseas Services

In 1975, the various activities within the BSC concerned with the provision of technical and management consultancy services in overseas countries were combined into a single subsidiary of BSC (International) Limited, known as British Steel Corporation (Overseas Services) Limited. This company will provide comprehensive project services for

steel-related developments. Major contracts are being carried out in Mexico and Iran and this activity is seen by the BSC as having important growth potential.

Capital Development

Capital expenditure in 1974-75 reached a total of £311 million compared with £187 million in 1973-74. The increase, the report says, reflects expenditure on development schemes approved earlier and the BSC's continuing efforts to implement its development strategy (see p 269, 1972).

Among the principal projects on which work started during the year was a further stage in the development of the corporation's South Teesside works as a major steelmaking complex. It provides for a new 10,000-tonnes-a-day blast furnace which will be one of the world's largest and the first of this size to be built in Britain.

A major project, estimated to cost £70 million, was approved for the construction of new coal handling, stocking and blending facilities at the Port Talbot works together with the first stage of the replacement of the existing coke ovens. Proposals for another major development at Port Talbot, designed to raise steel-making capacity to 5·75 million tonnes at a cost of £431 million (October 1974 prices), are being considered by the Government.

Following approval by the BSC of the general development strategy for stainless steel, major investment continued for the provision of relevant additional steel-making, continuous casting and finishing facilities. Approval was also given to a systems/computer strategy for the controlled development of computers and of telecommunications systems and networks throughout the corporation. The telecommunications network, which is expected to be operational in 1977, will cost £11·6 million, at September 1974 prices. It will provide speech and data communication between all the BSC's major plant and offices and will link the major computer installations and terminals of the corporation throughout Britain.

Environment

Efforts towards improving and maintaining acceptable environmental conditions are continuing and intensifying. At new developments substantial capital expenditure was planned for environmental control, including over £12 million in the development proposals for the Redcar works, where particular attention is being given to noise control. Proposals for coke oven and coal handling facilities at Port Talbot include expenditure of more than £4 million on the most up-to-date pollution control equipment. The new coke ovens are also being sited away from existing residential areas.

Other action includes a programme to lessen air pollution at coke ovens and schemes for fume containment at certain electric arc furnace melting shops.

Industrial Relations

In 1974-75 there was a substantial increase in the number of stoppages due to industrial disputes. The corporation was concerned at this deterioration in industrial relations and arranged a series of conferences with the major trade unions in the industry, and senior representatives of management, to examine the fundamental attitudes governing industrial relations, with the aim of bettering them by improving communications and promoting joint consultation. The results by the end of the year were encouraging and it was planned to continue these discussions.

The corporation made great efforts during the year to exchange views and ideas as an aid to more efficient decision-taking and to break down any feeling of remoteness on the part of people at the works.

A review of the BSC's internal communications systems was conducted during the year, as a result of which new policies were introduced which took account of the need to keep the workforce fully informed on a variety of topics, including the review of policy on closure of works. A service has been installed at several works, enabling employees to receive news bulletins by picking up a telephone. This is designed to improve the flow of information to the workforce and to counter the rumours and misinformed comment which often causes industrial unrest. Similar equipment has already been installed at the corporation's head office and its further adoption is being considered.

Research and Development

The BSC's expenditure on research and development, including the technical services provided by the research laboratories, totalled £14·5 million in 1974-75.

To increase the efficiency and availability of plant, a research team has been established to apply terotechnological principles (see *Terotechnology*, COI, NST 54) throughout the corporation. This involves the design, construction and maintenance of plant in such a way as to minimise its total operational life costs. In particular, systems for monitoring operational plant conditions are being developed to predict maintenance requirements and to minimise unscheduled halts in production. Savings of £300,000 in a full year will result at one works from the introduction of a new lubrication system; and the redesign of bearings, bunkers and conveyor systems is also helping to reduce costs by preventing expensive plant failure.

The increased emphasis on energy saving led to a number of new investigations during the year, aimed at supporting the corporation's objective of achieving by 1978 a 10 per cent reduction in the energy used per tonne of steel produced. Ways of recovering and using low-grade waste heat, for district heating and for food production, for example, are being pursued.

Research into the reclamation and recycling of materials received a great deal of attention during the year. The programme included studies of the fragmentation of scrap at very low temperatures to convert it to a more easily handled form and also to up-grade its composition; and methods for recycling the various dusts and wastes arising during steel-making processes. Preliminary studies were also undertaken into methods for reclaiming ferrous scrap from the large tonnage of general waste which comes from urban communities. Following the study of the possibilities of recovering steel and tin from

refuse, the corporation joined with the Metal Box Company Limited and Batchelor Robinson Limited to form Material Recovery Limited. This company will, it is hoped, eventually recover scrap in sufficient quantity to save the steel industry about £13·5 million a year on imported iron ores and coking coal.

European Community

Co-operation with European steel-makers continued in the form of joint research financed by the levy paid by steel companies of the European Coal and Steel Community. Projects proposed by the BSC included research on corrosion, on the environment, on the human factor in steel-making and on improving blast furnace performance, particularly by injecting hydrocarbons.

Coal

NCB ANNUAL REPORT

A major improvement in the financial results of the National Coal Board (NCB) occurred in 1974-75 according to its annual report and accounts, published on 24 July.[1] Higher output and productivity, together with increased prices, contributed to the improvement.

Financial Results

The board's income rose from £1,019 million in 1973-74 to £1,661 million in 1974-75 and expenditure increased by £495 million to £1,627 million. There was an operating profit of £33·8 million in 1974-75 before charging interest, compared with a loss of £112·3 million in the previous year. All activities improved their financial performance, particularly mining which turned a loss of £126·9 million in 1973-74 into a profit of £3·5 million in 1974-75; profits of £7·7 million and £22·6 million were recorded by NCB (Ancillaries) Ltd and NCB (Coal Products) Ltd respectively. The operating profit was achieved despite a reduction in grants paid by the Government under the Coal Industry Acts from £130·1 million to £68·2 million and a special NCB contribution of £16 million to pneumoconiosis compensation. The profit together with certain extraordinary payments was sufficient to cover interest and taxation.

Output

Output increased by 18·1 million tons (1 ton = 1·016 tonnes) to 125·2 million tons in 1974-75 and comprised 115 million tons from NCB mines, 9·1 million tons from open-cast mines and 1·1 million tons from licensed and other mines. Output per manshift was initially 2·1 tons but rose rapidly to exceed 2·35 tons in several weeks, and the average for the year was 2·25 tons. There was a substantial increase in the number of operating faces and in daily output per face; the latter reached a record of 659 tons in March 1975. There were 246 NCB collieries in operation in March 1975; during 1974-75 ten were closed as their economic reserves were exhausted and three mergers occurred.

Employment rose for the first time for 17 years, and by the end of March 1975 there were 248,800 wage-earners on the NCB's colliery books, 6,200 more than in March 1974.

Consumption

Inland consumption of coal totalled 125·1 million tons in 1974-75, 5·8 million tons higher than in the previous year but less than in the calendar year 1973, reflecting the start of the recession in industry and the effects of energy conservation measures. Power stations consumed 71·5 million tons, gasworks and coke ovens 20·2 million tons, domestic consumers 14·2 million tons, and industry and other consumers 19·2 million tons. Exports of coal by the NCB of 2·1 million tons went mainly to other countries in the European Coal and Steel Community and to Scandinavia. Exports of coke rose substantially from 300,000 tons in 1973-74 to 1·2 million tons in 1974-75.

Energy Conservation

The report notes the industry's recent record of reducing significantly the proportion of its energy costs to total costs. The NCB initiated action in accordance with the Government's energy conservation policy; it appointed an energy manager at its headquarters with a supporting organisation in the coalfields and has adopted a programme for further economies in the use of energy.

Investment

Investment in collieries was £102 million in 1974-75, compared with £64 million in 1973-74. The increase reflected the substantial progress in implementing the 'Plan for Coal' (see pp 435-6, 1974), designed to stabilise the industry. Some 22 major projects authorised by March 1975 are planned to produce about 9 million tons a year of the 42 million tons envisaged in 'Plan for Coal'. In March 1975 work costing a total of £110 million was in progress on projects of over £500,000. Exploration activity reached a record level involving 96 boreholes over 1,000 ft (305 metres) deep and 380 line-miles (612 kilometres) of seismic work and a further increase is planned for 1975-76.

Safety and Health

The number of fatalities (56) was the lowest on record. However, the rate of reportable accidents rose from 461 in 1973-74 to 576 in 1974-75, although the number of other accidents declined by 2,150 to 53,700. The NCB continued to give the highest priority to reducing accidents. Over 60,000 claims were received under the scheme to provide improved benefits for miners suffering from pneumoconiosis. Under the Coal Industry Act 1975 the Government is contributing up to £100 million of the estimated cost of £128 million.

Research and Development

Expenditure on research and development amounted to £8·3 million in 1974-75. Projects included development of the fluidised bed combustion technique, the solution of coal in liquids and gases which

[1] *National Coal Board.* Report and accounts 31 March 1974 to 29 March 1975. NCB. HMSO, £1. ISBN 0 901429 75 9.

may prove an initial step in the preparation of liquid fuels and chemicals from coal by hydrogenation, the production of substitute natural gas from coal, and the development of new techniques for detection of spontaneous combustion underground. Britain has been nominated by the International Energy Agency to lead coal research and development. Draft proposals have been prepared for collaboration on information exchange and specific research projects. The NCB's Mining Research and Development Establishment was reorganised and its responsibilities extended. The emphasis of its work is now on remote control of mining methods. A substantial increase in its staff and facilities is in progress.

Railways

BRB ANNUAL REPORT

The financial position of the British Railways Board (BRB) deteriorated in 1974, mainly as a result of inflation, according to its annual report and accounts, published on 25 July.[1] However, the report notes that the volume of passenger traffic was higher than for many years, whereas several other European railways lost passenger business, and that although British Rail's freight traffic declined, its freight business fared better than that of most other European Community countries.

Financial Results

The BRB's income rose from £795 million in 1973 to £927 million in 1974, but expenditure increased from £735 million to £959 million. After payment of interest and other financing charges totalling £71·9 million and allowing for depreciation, the board's loss was £157·8 million, compared with £51·6 million in 1973. There were operating profits of £5·3 million on non-operational property, £682,000 on hotels, £563,000 on railway workshops and £4,000 on harbours, and losses of £96·9 million on railways, £1·8 million on ships and £509,000 on hovercraft. The report notes that the key problem facing the board was accelerating inflation. Increases in railway costs were larger than the increase in the level of retail prices, because of the high proportion of total costs accounted for by labour, steel and oil, and Government price restraint policies resulted in BRB charges rising in 1972 and 1973 at a lower rate than costs. In 1974 the Chancellor of the Exchequer, in his November Budget (see pp 426-8, 1974), allowed the railways to increase prices but in the board's view the market would have been unable to bear the necessary increase; during 1974 prices were raised by 16 per cent while costs increased by 33 per cent.

Passenger Services

Some 733 million passenger journeys were made during 1974; the distance travelled (19,200 million passenger-miles; 1 mile = 1·609 kilometres) was the highest achieved since 1964. Passenger receipts rose by 11 per cent to £329 million which included £148 million from inter-city services. Grants of £154 million for operating specific services were received from the Government and local authorities; under the Railways Act 1974 (see pp 327-8, 1974) central Government grants are being provided for supporting the network as a whole. Electrification of the London-to-Glasgow route was completed and the number of daily through services increased from five to eight. Subsequently a 40 per cent increase in the number of travellers on the route was recorded.

Further tests were carried out on the prototype High Speed Train (HST) and the experimental Advanced Passenger Train (APT). In December 1974 the prototype HST began performance trials and driver training at speeds of up to 125 mph and in May 1975 it entered regular passenger service on the route from London to Bristol and Weston-super-Mare. Manufacture of power cars for the production HSTs started at Crewe. The experimental APT reached the middle of its three-year test programme and by the end of 1974 it had completed over 8,000 miles of track testing. It reached 136 mph on the test track at Old Dalby (Leicestershire). On 27 July 1975 it became the fastest train to run in Britain when travelling at 149 mph during trials on the main line between Swindon and Reading and on 10 August reached 152 mph on the same stretch of track. The construction of three electric prototype APTs has been authorised; they are expected to enter service in 1978 between London and Glasgow.

Freight Services

Freight train traffic fell by 20 million tons (1 ton = 1·016 tonnes) to 174 million tons in 1974 because of the general economic situation and various industrial relations problems. The leading commodities carried were coal and coke (86·6 million tons) and iron and steel (30·5 million tons). Some 23 National Coal Board (NCB) collieries are equipped with bunker installations to accommodate 'merry-go-round' traffic, whereby trains are loaded and discharged automatically while in motion. This system enables the annual movement of about 47 million tons of industrial coal by 7,700 wagons. British Rail is associated with the NCB in a plan to equip a further 19 collieries with suitable equipment. Trials started of the merry-go-round movement of imported iron ore from Port Talbot to Newport. Freightliners Ltd, jointly owned by the National Freight Corporation and the BRB, carried 632,000 containers in 1974, only 2,000 fewer than in 1973 in spite of adverse economic conditions. Several new contracts for the carriage of petroleum products were signed or extended. British Rail's fleet of freight wagons in operation declined from 248,700 in 1973 to 241,400 in 1974, but the number of privately owned wagons increased by 400 to 18,400 in this period. In 1974, 50 new private sidings were opened, handling mainly roadstone, sand and gravel aggregates, and iron and steel products. The BRB expects that the provision of grants under the Railways Act 1974 towards the cost of developing railfreight facilities will create a greater opportunity to promote railfreight. The Total Operations Processing System, a computerised system of monitoring wagon movements which is designed to improve the utilisation

[1] *British Railways Board.* Annual report and accounts 1974. BRB. HMSO, £1·25. ISBN 0 7003 0028 7.

of freight wagons and locomotives, was extended to nearly half the rail network during 1974 and should cover the whole of Great Britain by October 1975.

Other Operations

British Rail Engineering Ltd's external sales rose by 80 per cent to £8·8 million in 1974, mainly as a result of the completion of 800 wagons for Yugoslavia. New work included a repeat order for 70 bogie hopper wagons for Jordan. The shipping and harbour operations were adversely affected by inflation and a fall in holiday traffic between Britain and the continent of Europe. However, continental freight traffic remained buoyant and roll-on/roll-off traffic rose by 38 per cent. British Rail received its largest ship, the *St Edmund* (9,000 tons), in December 1974. Hovercraft services were reduced because of higher fuel costs; 575,500 passengers and 82,800 cars were carried on cross-Channel services and 228,300 passengers between Southampton and Cowes. Proposals for 'stretching' the hovercraft to increase capacity are being studied. Transmark, the BRB's consultancy subsidiary, expanded its work in 1974; overseas it carried out 25 projects in 23 countries, covering many aspects of operations including assessment of new railways in Africa, corporate planning in India and electrification in Australia.

Animal Health

The Diseases of Animals Act which received Royal Assent on 3 July is the most recent legislation concerned with measures to prevent the introduction or spreading of animal diseases in Britain. Other recent developments which reflect continuing concern with animal health in Britain include the anti-rabies measures which came into operation in February 1975 and the publication of the report of the Committee of Inquiry into the Veterinary Profession (see p 333). The Minister of Agriculture, Fisheries and Food, Mr Peart, welcoming the publication of this report said in answer to a parliamentary question (*Hansard*, 30.7.75, written answers, cols 530-1) that greater emphasis needed to be placed on the prevention of animal diseases and its significance for public health.

Diseases of Animals Act

The Diseases of Animals Act 1975 is intended to prevent the introduction into Great Britain[1] of all animal and poultry diseases. Since powers relating to rabies were strengthened in the Rabies Act 1974 (see below) and Orders made under it, the 1975 Act relates primarily to all other animal and poultry diseases. The Act revises and updates the Diseases of Animals Act 1950 relating to importation of animals and other things. The former Act was felt to be inadequate to deal with growing animal disease risks, presented, for example, by air traffic and other modern forms of transport. The new Act amends the 1950 Act by replacing the import control provisions of the former Act.

[1] A draft Diseases of Animals (Amendment) (Northern Ireland) Order 1975 was approved by the House of Lords on 28 July. It seeks to extend the Diseases of Animals Act (N.I.) 1958.

The 1975 Act gives the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Wales and Scotland powers to make Orders prohibiting or regulating the importation of animals, animal products and anything else, including vehicles, which could carry animal disease. The Act specifies matters for which provision may be made in Orders including, *inter alia*, prohibition of imports of animals, poultry or other things save at designated points of entry; quarantine; detention; and, if necessary, rejection of consignments or vehicles; and slaughter.

The Act also gives inspectors right of entry to land, buildings and vehicles, including vessels and aircraft, for the purpose of enforcement. It provides for heavier penalties on indictment: an unlimited fine or up to 12 months' imprisonment, or both, for offenders who evade import regulations.

European Community arrangements for animal health requirements in trade do not apply in Britain; a derogation under the Treaty of Accession provided for the retention of national animal health import rules in new member states.

Rabies Act 1974

New measures to counter the threat of introduction of rabies into Great Britain were contained in the Rabies Act 1974 which received Royal Assent on 23 May 1974. The Act concentrated on providing for control measures if an outbreak of rabies should occur in Great Britain and on strengthening defences against the risk of importing the disease.

Two Rabies Importation Orders under the Act came into operation on 5 February 1975. The first of these Orders (S.I. 1974, No 2211) continues the existing arrangements under which dogs, cats, and most other mammals imported into Great Britain are subject to licensing before importation and to six months' statutory quarantine in approved premises. It also contains three important additions to the existing legislation. For the first time, dogs and cats are allowed to enter the country only at a limited range of entry points, which also apply for imported mammals. Secondly, animals landed illegally may be destroyed on landing. Thirdly, more severe penalties are provided for deliberate offences. Anyone committing offences against the Order, with deliberate intent to evade its provisions, may be tried on indictment and, if convicted, be liable to a maximum penalty of one year's imprisonment and an unlimited fine.

The second Order (S.I. 1974, No 2212) provides for the use of a wide range of measures for the control of any outbreak of rabies that might occur in Britain. The Order prescribes the procedure for reporting a suspected case of rabies and the power to designate and place restrictions on the infected animal and place. In particular, it incorporates the powers laid down in the Rabies Act to impose such control measures as are necessary in an infected area, including the destruction of foxes; movement and confinement controls on dogs, cats and other mammals; the vaccination of dogs and cats; the seizure, detention and destruction of strays; and the banning of specified activities such as hunting and dog and cat shows.

Except for two isolated cases in 1969 and 1970, Great Britain has been free of rabies outside quarantine

since 1922. The provisions of the Rabies Act and the Orders made under it reflect growing concern at the threat of the disease entering Britain. There is particular concern about the advance of the disease in wildlife, especially foxes, across the continent of Europe towards the Channel coast.

Inquiry into the Veterinary Profession

The Report of the Committee of Inquiry into the Veterinary Profession was published on 29 July (Cmnd 6143, HMSO, £2·60; and Cmnd 6143-1, HMSO, £1·15). The committee, under the chairmanship of Sir Michael Swann, was appointed by the Government in 1971 to consider the future role and educational needs of the veterinary profession in Britain and to make recommendations.

The report surveys the structure, functions and size of the profession, looks at the use made of the veterinary surgeon's skill, considers extensions to his role and examines veterinary education and research.

Among the committee's main recommendations and conclusions are that the traditional role of the profession, which has been the diagnosis and treatment of animals controlled by man, will in future expand to include the animal kingdom generally, the environment of animals, the reconciliation of economic and other considerations with animal welfare, and public health work. It concludes that within its traditional role the profession will delegate more to lay technical staff. It concludes also that the profession will be increasingly concerned with preventive medicine on the farm, including advice on husbandry and management for the purpose of maintaining and improving animal health and welfare, the productivity and profitability of the farm business and the hygiene of its products. For the best results, the report suggests, veterinarians must collaborate with agricultural advisers.

The Minister of Agriculture, Fisheries and Food said in answer to a question in the House of Commons on 30 July (*Hansard*, written answers, cols 530-1) that the Government would be consulting the interests concerned about the recommendations, many of which required detailed study and had implications for the longer rather than the short term. They would need to be considered, he said, against the background of the general economic situation, including the resources available. He said that the committee's proposals on preventive veterinary medicine would be studied with great care.

SOCIAL AND CULTURAL AFFAIRS

Criminal Justice Developments

Recent announcements about criminal justice matters include proposals for changes in the bail and parole systems; inquiries into judicial training and information, maximum penalties, and the law of sexual offences; some changes in the proposed scheme to introduce an independent element into the way complaints against the police are investigated; and the coming into force of legislation to help to rehabilitate ex-offenders. Several of the developments were referred to by the Home Secretary, Mr Roy Jenkins, when he addressed the annual general meeting of the National Association for the Care and Resettlement of Offenders on 21 July.

BAIL

The Government hopes to introduce legislation during the 1975-76 session of Parliament to implement recommendations of the working party on bail procedures in magistrates' courts (see pp 152-3, 1974). The main recommendation is that there should be a statutory presumption in favour of granting bail unless the courts are satisfied that this would be contrary to the interests of justice.

The Criminal Justice Act 1967 already gives the courts power when granting bail to impose conditions likely to secure the defendant's answering to bail, where it is felt necessary in the interests of justice or to prevent crime. The Home Secretary believes that this power might be used more widely than at present as an alternative to remands in custody or to obtaining sureties which a defendant is unlikely to be able to provide. He would like the courts to consider whether there might be more cases where a custodial remand could be avoided by a special condition, such as reporting to the police at intervals.

A common objection to the granting of bail is that the defendant has 'no fixed abode'. It is important, the Home Secretary believes, for the courts to establish precisely what this means in a particular case – it does not follow that a defendant is more likely to abscond merely because he lives in a 'bed-sitter' or a hostel.

The provision of bail hostels has now passed the experimental stage and there are plans over the next year or so to open another three hostels for men (four already exist) and to provide one for women. The availability of hostels for people on bail means that the courts can avoid remands in custody unless they are necessary for the protection of the public or witnesses.

PAROLE

Since the parole scheme started in England and Wales in 1968 many thousands of offenders have been released early from prison without any appreciable risk to the public. The scheme effectively reduces the prison population (over 40,000 – a figure as high as any previously recorded) by about 1,600. Only 8 per cent of parolees have to be recalled to prison for breach of their parole licences.

Although about 40 per cent of prisoners eligible are granted parole at some stage of their sentences, many of the parole periods are for a few months only, and the proportion of prisoners granted parole has remained static over the past few years. To enable the system to make a greater contribution to reducing the prison population, the Home Secretary has agreed with the Parole Board ways in which the use of parole can be properly and safely extended, both by granting it earlier to the kind of prisoners who already receive it and by granting it to more of the 60 per cent of prisoners who are eligible but who do not receive it (*Hansard*, 4.8.75, written answers, cols 25-7). The Home Secretary also proposes to make more use of an existing statutory power to grant parole on the recommendation of local review committees without reference to the Parole Board. This will enable the board to consider more cases of prisoners who would otherwise have been refused parole.

In Scotland the Secretary of State is to begin consultations with the Scottish Parole Board with the aim of examining the possibilities for greater use of parole.

JUDICIAL TRAINING

A working party is being set up under the chairmanship of Mr Justice Bridge to review the arrangements for training and supplying information to the judiciary. The Home Secretary hopes that it might lead in the long run to the establishment of more permanent machinery for judicial training and the flow of information to sentencers to help them in the understanding and use of the increasing range of non-custodial penal measures.

MAXIMUM PENALTIES

The Home Secretary has asked the Advisory Council on the Penal System to undertake a major inquiry

into the existing structure of maximum powers of sentence in the criminal law. The object will be to consider whether the principles underlying the maximum statutory penalties are valid to support the present level of those penalties, in the light of current thinking about the objects of sentencing.

LAW ON SEXUAL OFFENCES

The Home Secretary has asked the Criminal Law Revision Committee to initiate a comprehensive review of the law in England and Wales relating to sexual offences. The committee will have the help of a specially appointed policy advisory committee which will provide experts to deal with associated medical, sociological and psychological questions (including the age of consent in relation to sexual offences), and assess lay opinion.

POLICE: COMPLAINTS PROCEDURE

In July 1974 the Home Secretary published an outline scheme designed to give effect to the principle that the procedure for handling complaints against the police should include an effective independent element to be brought into operation while a complaint is still under consideration (see pp 335-6, 1974). Following consideration of the proposals with representatives of the police service and the police authorities, the Home Secretary announced to the House of Commons on 15 July three main changes from the outline scheme (*Hansard*, written answers, cols 423-8):

1 In any given case, a deputy chief constable will consider, before anything goes to the proposed independent commission, whether to institute disciplinary proceedings following a complaint. Only if he takes the view that proceedings should not be instituted will the case be referred for examination by the commission, which will consider that view, and will have power in the last resort formally to require that disciplinary proceedings be brought;

2 All cases referred to the commission will be considered by a commissioner, not just by commission staff;

3 Most disciplinary proceedings will be heard by a chief officer as at present; only in exceptional cases will they be heard by a tribunal. The commission will have the final decision whether a case is to be heard by a chief officer or by a tribunal.

In making the changes, the Home Secretary has been concerned that, without impairing the main principles and purpose of the scheme, the initial investigation of complaints should remain in the hands of the police; that the chief officer's responsibility for the discipline of his force should not be undermined; and that no police officer should be in jeopardy twice in connection with the same complaint.

Legislation to bring the scheme into effect will be introduced as soon as possible.

REHABILITATION OF OFFENDERS

The Rehabilitation of Offenders Act 1974 (see p 336, 1974), which is designed to help ex-offenders in England, Wales and Scotland who have 'gone straight' to overcome the damaging effects of their convictions, came into force on 1 July.

The principle of the Act is that an offender who manages to avoid further convictions for a specified 'rehabilitation' period becomes 'rehabilitated' and his or her conviction is then treated as 'spent'. The length of the rehabilitation period depends on the sentence for the original offence, and ranges from six months for an absolute discharge to ten years for a sentence of 6-30 months' imprisonment. Convictions resulting in more than 30 months in prison do not come within the scope of the Act.

The Act does not require the destruction or alteration of official records of convictions, but for most purposes spent convictions must be treated as though they never occurred. It is now a criminal offence to disclose information about spent convictions other than in the course of official duties. Spent convictions are inadmissible in evidence in most judicial proceedings (exceptions are criminal proceedings and proceedings relating to the care or custody of children), and a rehabilitated person is entitled to conceal them in most other circumstances – for example, in applying for employment.

The law of libel and slander has been amended so as to prevent a defendant, in an action for defamation arising out of the publication of a spent conviction, from relying on the defence that what he said was true if it can be shown that the publication was made with malice.

Exceptions to the Act have been made by regulations which also came into effect on 1 July.[1] A rehabilitated person may, for instance, be asked to disclose his spent convictions when applying for membership of certain professions or jobs involving access to people in vulnerable situations or employment concerned with the administration of justice ('excepted' occupations include lawyers, doctors, nurses, schoolteachers, policemen, prison officers, workers in the health and personal social services and youth and community workers). Spent convictions can also be asked about, and taken into account, in relation to applications, for example, for gaming, firearm or shotgun certificates, and in safeguarding national security.

Although the exceptions apply quite widely within the particular classes of employment to which they relate, the total number of excepted jobs is small in relation to the total working population, and a great many people stand to benefit from the Act. It is estimated that more than a million people with old convictions for indictable (broadly, the more serious) offences, and a great many more with minor convictions, will now become rehabilitated.

An official guide to the legislation has been published.[2]

[1] *Rehabilitation of Offenders Act 1975 (Exemptions) Order 1975.* Statutory Instrument 1975 No 1023. HMSO, 18p. ISBN 0 11 051023 2.

[2] *A Guide to the Rehabilitation of Offenders Act 1974*, HMSO 42p. ISBN 0 11 340755 6.

DOCUMENTATION

(Documentation excludes publications referred to in Survey articles)

Government and Administration

Northern Ireland Orders in Council. The following Orders concerning Northern Ireland have been approved by Parliament:

The Appropriation (No 2) (Northern Ireland) Order 1975 which authorises the issue and appropriation out of the Northern Ireland Consolidated Fund of the balance of the Main Estimates Provision for 1975-76 (*Hansard*, 15.7.75, col 1202);

The Shipbuilding Industry (No 2) (Northern Ireland) Order 1975 the main purpose of which is to bring Harland and Wolff Ltd into full public ownership in fulfilment of the Government's decision (see p 157) of March 1974 (*Hansard*, 1.8.75, col 2474).

Law Centres: Additional Finance. A detailed review of the financial commitments of the Lord Chancellor's Office has enabled funds of £100,000 to be made available which, subject to parliamentary approval, are to be allocated this financial year to law centres. No increase in the office's total expenditure is involved. *Hansard, HL*, 8.7.75, cols 771-2.

External Affairs and Defence

Nato: The British Contribution. COI, Factel No 659.

Economic and Scientific Affairs

Development Land Tax (DLT). It is now proposed that a charity shall not be liable to DLT on disposing of any interest in land which was held by it on 12 September 1974, the date of publication of the White Paper, *Land* (see p 369, 1974). Inland Revenue press notice, 15.7.75.

Local Authority Expenditure. The Secretary of State for the Environment, Mr Anthony Crosland, has announced that there was no scope for increased expenditure in total, in real terms, in local authority current expenditure in 1976-77; there would have to be a standstill because, in very broad terms, the excess of local authority current expenditure this year amounted to the level of real growth previously allowed for next year. *Hansard*, 5.8.75, written answers, col 116.

Bank of England. Report and accounts for the year ended 28 February 1975. In addition to the bank's accounts, a full report is given of the bank's work over the past year, including monetary policy, banking developments, building societies, foreign currency borrowing, foreign exchange management and commodity markets. Threadneedle Street, London EC2R 8AH.

Insurance. The Insurance Business Annual Report 1974. HMSO, 65p. ISBN 0 11 511120 4.

Building Societies. The report (Part 2 – Building Societies) of the Chief Registrar of Friendly Societies, which contains statistical information and comment upon the activities of building societies and the work of the Registry in relation to them in 1974. HMSO, £1·40. ISBN 0 11 600104 6.

Into OPEC – fastest growing markets in the world. A special report which includes an article about each of the 12 OPEC countries (see p 278) illustrated with maps, charts and comparative statistics. British exports to the OPEC countries have more than doubled so far during 1975 and are now running at a rate of more than £150 million a month; to maintain this growth and strengthen economic relations, new formal Government-to-Government machinery is being worked out with Saudi Arabia, Qatar and Iraq on similar lines to the existing joint economic commission with Iran (see p 58). *Trade and Industry*, 11.7.75. HMSO, 20p. ISBN 0 11 724212 8.

Committee on Invisible Exports. Annual Report 1974-75. The report includes a detailed account of Britain's invisible earnings from overseas and shows that net private invisible receipts rose from £2,177 million in 1973 to £2,723 million in 1974. 18th Floor, 23 Fenchurch Street, London EC3M 3DD.

Import Duty Relief. The Department of Trade has issued a notice stating that, in order that full regard in the present balance of payments and employment situation might be paid to the interests of British manufacturers before relief from duty is given on imports of goods from non-EEC sources for processing and re-export under the Import Duties Act 1958, applications for relief must in future be accompanied either by evidence of unsuccessful efforts to obtain comparable goods from British manufacturers or by other evidence showing reasons

why the use of British materials is not appropriate. Special procedures already operating in the case of certain textile materials will not be affected. *Trade and Industry*, 1.8.75.

British Labour Statistics. Year Book 1973. Department of Employment, HMSO, £12. ISBN 0 11 361065 3.

Civil Service Statistics 1974. Civil Service Department. HMSO £1·10. ISBN 0 11 630274 7.

Management Consultants Association (MCA). MCA 1975. An annual review which shows that member firms of the MCA carried out a record number of 6,269 assignments in Britain and overseas in 1974, 22 per cent more than in 1973. Fees earned by members rose by 22 per cent to £41 million of which £16 million came from overseas, and there was an increase of 67 per cent in the number of clients served in the Middle and Far East, Africa and Australasia. The review also outlines the scope of members' services and contains a summary of the MCA Code of Professional Practice. 23/24 Cromwell Place, London SW7 2LG.

Work Satisfaction. Making Work more Satisfying. Increasing opportunities for people to derive greater satisfaction from their jobs through changes in job design and work organisation. Prepared by the Tripartite Steering Group on Job Satisfaction (see p 42). Department of Employment. HMSO, 60p. ISBN 0 11 361095 5.

Health and Safety Executive. Joint Standing Committee on Health, Safety and Welfare in Foundries (Sub-committee on Dust and Fume). Principles of Local Exhaust Ventilation. First report of the sub-committee (HMSO, £1·90; ISBN 0 11 361074 2). *Foundry Dust Control. Fettling Benches and Small Adjustable Hoods.* Second report of the sub-committee (HMSO, 45p; ISBN 0 11 361077 7). The first report sets out the basic principles of local exhaust ventilation and examines some aspects of dust and fume relevant to the design, construction and use of local exhaust ventilating plant, while the second report describes the ways in which the basic principles have been applied to the design of some types of equipment. The joint standing committee was formed in 1965 to advise the Secretary of State for Employment but now reports to the Health and Safety Commission (see p 42).

Health and Safety Commission. Consultation Document on the Notification of Accidents and Dangerous Occurrences. The document proposes that new legislation for the notification of accidents which would be more uniform and more extensive than the present regulations, should become operative from 1 July 1976, and that dangerous occurrences should be notifiable whether they cause injury or not. Available from the commission at Baynards House, 1 Chepstow Place, London W2 4TF.

Price Commission. Report for the period 1 March to 31 May 1975. The report points out that there has been a significant slowing down in the rate of price increases notified to the commission, but emphasises the importance of securing a reduction in the rate of increase in labour costs which, if accompanied by a further reduction in the rate of pay settlements, would reduce price increases still further. HMSO, £1·55. ISBN 0 10 024775 X.

Office of Fair Trading – Bargain Offer Claims – A Consultative Document. Proposals for introducing a greater degree of statutory control, under the order-making power of the Fair Trading Act 1973, over claims of bargain offers made by traders. The paper, to be sent to interested parties for comment, proposes a legal framework which would confine bargain offer claims to those types which are useful to consumers and capable of reasonably easy verification. It would become an offence to falsify claims and claims would be required to include certain information. Three specific types of claims would be prohibited. HMSO, £1·20. ISBN 0 11 700286 0.

Parliamentary Commissioner for Administration. Fifth report for the session 1974-75. House of Commons Paper No 498. HMSO, 50p. ISBN 0 10 024985 X. Inquiry into the collapse of the Court Line group in 1974 (see p 349, 1974).

Department of Trade – Court Line Ltd. Interim report of the inspectors appointed to investigate the affairs of Court Line following the group's failure in 1974. The final report (or reports) will not be available in less than a year's time. The history and financial position of the group up to the time of its collapse are described and a number of issues are discussed, as well as the inspectors' findings on such matters as the Government's intervention and its acquisition for £16 million of Court Line's shipbuilding interests. HMSO, £2·90. ISBN 0 11 511648 6.

The Secretary of State for Trade, Mr Peter Shore, made a statement in the House of Commons on both the above reports. On the question of measures to assist those affected by Court Line's collapse, Mr Shore said that the Air Travel Reserve Fund Act 1975 (see p 109) had established a fund from which Court Line and other holidaymakers were being reimbursed and he said that no further payment out of public funds would be justified. Because wider issues of public policy were involved, however, the Government felt that there should be an early opportunity for debate (*Hansard*, 30.7.75, cols 1812-23). The debate followed on 6.8.75 (*Hansard*, cols 532-86).

Monopolies and Mergers Commission. Report on the proposed merger between the NFU Development Trust and the livestock and meat company, FMC Ltd. The acquisition by the trust of the shares which it does not already own in FMC Ltd is to be allowed to proceed, since the commission found that this would not be expected to operate against the public interest. House of Commons Paper No 441. HMSO, 95p. ISBN 0 10 024415 7.

Bankruptcy – General Annual Report for 1974. The Department of Trade's report shows that the number of bankruptcy cases administered in 1974 rose to 5,208 from 3,380 in 1973. HMSO, 50p. ISBN 0 11 511362 2.

Mechanical Engineering Industry – Short term trends. Report by the Short Term Trends Working Party of the Mechanical Engineering Economic Development Committee. An upturn in world trade beginning in the United States and extending into Europe is expected to bring some increase in orders from overseas and from British exporting industries mainly in 1976 and 1977. New orders for the industry have fallen to the levels reached at the bottom of the two previous year cycles. In the short term the volume of orders on hand should be able to sustain the level of production for some months in many sectors. Available from Neddy Books, National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX.

Solar Heat and the Overheating of Buildings. A report by the Directorate of Building Development of the Property Services Agency, Department of the Environment. It discusses the problems of buildings in Britain which overheat from the effect of solar radiation through glass. Several factors leading to overheating are examined and possible remedies suggested for new design and for existing buildings. HMSO, £4. ISBN 0 11 670588 4.

Location of Offices Bureau. Annual report 1974-75. During the year ended 31 March 1975, 13,087 office jobs were moved from central London by clients of the bureau. LOB, 27 Chancery Lane, London WC2A 1NS. 15p.

Proposed Merger of Electricity and Gas Showrooms. The Secretary of State for Energy, Mr Anthony Wedgwood Benn, announced in the House of Commons on 31 July that consumers' representatives and the trade unions concerned are being asked for their advice on whether gas and electricity showrooms should be merged. The gas and electricity industries had already been asked for their views and for their assessment of the effect of any change on their services and trading role. *Hansard*, 31.7.75, written answers, cols 619-20.

Highlands and Islands Development Board. Ninth report 1974. Highlands and Islands Development Board, Bridge House Bank Street, Inverness. 90p. ISBN 0 902347 38 1.

Central Water Planning Unit [which took over part of the functions of the former Water Resources Board]. First annual report for year to 31 March 1975. From CWPU, Reading Bridge House, Reading RG1 8PS. ISBN 0 904839 00 1.

Calculation of Road Traffic Noise. Issued by the Department of the Environment and the Welsh Office, and designed to assist all concerned in the measurement and prediction of noise created by road traffic. HMSO, £1·70. ISBN 0 11 550367 6.

Research and Development Requirements Boards. Reports 1974-75. Department of Industry and Central Office of Information. Available from Department of Industry, Technology Library, Abell House, John Islip Street, London SW1P 4LN.

Medical Research Council. Annual report 1974-75. Cmnd 459. HMSO, £2·75. ISBN 0 10 024595 1.

United Kingdom Marine Search and Rescue Organisation 1975. Department of Trade. HMSO, £1·50. ISBN 0 11 511641 9.

Afghanistan. Exchange of Notes concerning Financial Assistance by Britain to Afghanistan. Cmnd 6087. HMSO, 28p. ISBN 0 10 160870 5.

Social and Cultural Affairs

Census 1971: Great Britain, Economic Activity. Part III (10 per cent sample). Comprises tables showing industries by the occupation, employment status, age and sex of the people working in them; and a further table showing changes in occupation during the year before the census. Numbers are given for Great Britain, together with some information for England and Wales, Scotland, regions of England and Wales and conurbations. HMSO, £7·65. ISBN 0 11 690191 8.

Criminal Statistics, England and Wales, 1974. Cmnd 6168. HMSO, £4·40. ISBN 0 10 161680 5.

Criminal Statistics, Scotland, 1974. Cmnd 6081. HMSO, 95p. ISBN 0 10 160810 1.

Report on the Work of the Prison Department 1974. The report relates to England and Wales. Cmnd 6148. HMSO, £1·55. ISBN 0 10 161480 2.

Statistical Tables. Cmnd 6152. HMSO 85p. ISBN 0 10 161520 5.

Report of Her Majesty's Chief Inspector of Fire Services for the Year 1974. Cmnd 6145, HMSO, 75p. ISBN 0 10 161450 0.

Research into Firemen's Deaths. A Government research project into the occupational effects of fire-fighting is to be undertaken. Its main aims will be to identify any causes of death among firemen which appear to be more prevalent than in the case of other comparable groups, and to determine whether there is a higher incidence of non-specific lung disease among firemen than among other groups. Home Office press notice, 29.7.75.

Report on War Pensioners for the Year 1974. HMSO, 80p. ISBN 0 10 024565 X.

Department of Health and Social Security, Annual Report 1974. Cmnd 6150. HMSO, £1·55. ISBN 0 10 161500 0.

General Practice Finance Corporation. Report for the period 1 April 1974 to 31 March 1975. The corporation makes loans to general practitioners working in the National Health Service to help them buy or improve surgeries. HMSO, 26p. ISBN 0 10 024555 2.

Annual Report for 1974 of the Medicines Commission. The volume also contains the annual reports of the Committee on Safety of Medicines, the Veterinary Products Committee, and the British Pharmacopoeia Commission. In addition there is a memorandum by the Medicines Division of the Department of Health and Social Security. HMSO, 95p. ISBN 0 10 024425 4.

Tobacco Substitutes and Additives in Tobacco Products: their testing and marketing in the United Kingdom. First report of the Independent Scientific Committee on Smoking and Health. HMSO, 50p. ISBN 0 11 320625 9.

Children in Care in England and Wales, March 1974. Gives particulars of the number of children in the care of local authorities, the manner of their accommodation, the estimated costs of maintenance, and the number of children in registered voluntary homes or boarded out by voluntary organisations. Cmnd 6147. HMSO, 26p. ISBN 0 10 161470 5.

The Organisation of Race Relations Administration: Select Committee on Race Relations and Immigration, Session 1974-75. Vol I: Report. The committee's recommendations include the strengthening of staff in Government departments dealing with race relations matters; that the Race Relations Board and the Community Relations Commission be merged into an Equal Rights Commission with strong regional organisation, its membership to include representatives of ethnic minorities; and that local community relations councils should remain as autonomous bodies with community relations officers employed by the Equal Rights Commission. HMSO, 60p. ISBN 0 10 029095 7.

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